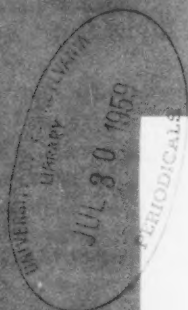


THE DEPARTMENT OF STATE



Bulletin



Vol. XLI, No. 1048

July 27, 1959

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The Department of State BULLETIN, a weekly publication issued by the Public Services Division, Bureau of Public Affairs, provides the public and interested agencies of the Government with information on developments in the field of foreign relations and on the work of the Department of State and the Foreign Service. The BULLETIN includes selected press releases on foreign policy, issued by the White House and the Department, and statements and addresses made by the President and by the Secretary of State and other officers of the Department, as well as special articles on various phases of international affairs and the functions of the Department. Information is included concerning treaties and international agreements to which the United States is or may become a party and treaties of general international interest.

Publications of the Department, United Nations documents, and legislative material in the field of international relations are listed currently.

Secretary Herter's News Conference of July 9

Press release 500 dated July 9

Assistant Secretary Berding: Ladies and gentlemen, we haven't had a press conference for some time. Possibly because of that fact some of you asked if today I would state again one rule that we follow and that relates to direct quotations.

The rule is the same rule that is used by the White House and that is, no direct quotations until the transcript comes out. As you know, we make every effort to get the transcript out just as soon as we possibly can, and, in the meantime, until it does come out, indirect quotations.

Secretary Herter.

Secretary Herter: Ladies and gentlemen, if I may I would like to say just a word or two before the questions begin. As Andy Berding just told you, this is my first open press conference, and I hope that it will be one of a regular series just as soon as I can get my life regulated to a point where I will be in Washington for any extended period of time.

During the 2½ months that I have been Secretary, I have had a number of background conferences, one here and four in Geneva. But I feel very strongly that there should be periodic open press conferences of this kind, and, as I say, I hope that the exigencies of the Foreign Ministers Conference will make it possible for me to be with you at regular intervals in the near future. I say this because of a profound conviction that any Secretary of State has a definite responsibility to make as clear as he is able to the bases on which our Government acts in the foreign policy field.

With that rather brief preliminary statement I would be very glad to answer any questions that I can.

Q. Mr. Secretary, you are returning now to Geneva to resume your talks with Mr. Gromyko

and the Western Ministers. Would you give us at this time your assessment of the possibility of reaching any worthwhile agreement on Berlin there and laying the groundwork for any summit conference, please.

A. I am afraid I couldn't give that to you in terms of betting odds. We naturally don't know just what we will find at Geneva from the point of view of any change or any more explicit interpretation of what at the moment we are not certain about in the Russian position.

As you know, at midnight of the night on which we decided to recess, Mr. Gromyko put out a statement in Geneva which indicated that the position we had taken with respect to the last proposal made by the Soviets contained certain misinterpretations.¹ However, our statement that we put out earlier in the day was based not only on the wording of the document but on Mr. Khrushchev's radio speech which had come over to us that same afternoon.

Here in Washington I made a report to the Nation a few days after our return,² and I think it was on June 28th that Mr. Gromyko saw fit to answer that particular statement. He took exception to some of the things I had said, and we have been studying with great care the wording that he has used with respect to the exceptions that he has taken. In particular he objected to an assumption that we had made, and I think we probably made on the basis of evidence before us, that, if we entered into any interim agreement with respect to Berlin and then resumed negotiations at the expiration of the term of that agreement, we would have forfeited our occupation rights. Mr.

¹ For background on the Foreign Ministers Meeting which convened at Geneva on May 11 and recessed on July 20, see BULLETIN of July 6, 1959, p. 3.

² For text, see *ibid.*, July 13, 1959, p. 43.

Gromyko indicated that was an entirely false assumption and that otherwise they would not have suggested we would resume negotiations after a blank period of time. That is a new point on which we certainly would want some clarification.

The other point, which is very indefinite of course, is the one concerning their suggestion of an interim agreement, at first for a year and then 1½ years. Both Mr. Gromyko and Mr. Khrushchev made the statement that the period of time was neither a matter of importance or of principle. This presumably means the period of time is one for negotiation.

I think that we shall have to explore first of all, when we get back to Geneva, the meaning of those statements—if the meanings are as apparently intended by the Russians, but certainly not borne out by the earlier documents.

I think there is some possibility we might reach agreement. I dare say there is some possibility, but we are not saying it with optimism. I have never been optimistic, as you know, about reaching a successful negotiation.

With respect to the summit conference, I think that was made amply clear by the President: unless we can make progress which would justify such a conference, that he would not be willing to go.

Q. Mr. Secretary, have you made an effort, through Ambassador Thompson in Moscow, to clarify these two points in Mr. Gromyko's statement?

A. No, we haven't.

Q. Mr. Secretary, if the Soviet Union indicates in Geneva, as Gromyko's statement seems to indicate, that our rights would not run out at the end of this period, would we be willing to settle for an indefinite or an intermediate extension of those rights laid down, as you put it, I believe, in your speech—or in the official Western statement—until the reunification of Germany is brought about?

A. I would hesitate to make any commitment on that. Actually it is difficult to make a commitment, speaking as only one Foreign Minister among four. Obviously the first thing, and the very important thing, is to concert our position with our allies. Before making any reply as to

what we might do under hypothetical circumstances, naturally, we would want to be certain of the attitude of the allies.

Q. Has there not been in this period any discussion with our allies on this point?

A. Very little discussion, largely because of other engagements on the part of our allies. Couve de Murville, the Foreign Minister of France, went to Madagascar with General de Gaulle and has been away from Paris. Mr. von Brentano has been away for some time from Bonn. The consultations will take place just as soon as we return to Geneva.

Q. Mr. Secretary, since your return have you had the opportunity to examine the mounting unrest in Latin America, and, if so, would you tell us if you favor a conference of Latin American States at this time specifically to deal with problems of the Caribbean?

A. The problems of the Caribbean, as you know, are a very real concern to us. This is a matter that is going to be discussed tomorrow at the Organization of American States, and we are not certain as yet just what procedural questions will come up or what form the discussion will take.

We are in the process of discussing the overall picture with some of our South American and Central American friends, and I would not want to express a specific view as of the moment. We will be expressing our views at the OAS conference tomorrow.³

Q. Mr. Secretary, what is your reaction to the character of the remarks which Mr. Khrushchev made to Governor Harriman?

A. Well, I don't know just how to characterize them. I think the President did it pretty well yesterday, and I think we had better stand on what he then said.

Q. Mr. Secretary, in the event that your negotiations at Geneva are not successful, is there a fully agreed Allied plan on countermeasures to maintain our position in Berlin if the Soviets take some unilateral action?

A. That matter has been discussed for a consid-

³ See page 136.

erable period of time, and I would say that on the whole our position is well concerted.

Q. Could you elaborate on that?

A. No, I wouldn't go into details.

Situation in Far East

Q. Mr. Secretary, would you assess the situation in the Far East, in view of these rather menacing remarks from Mr. Khrushchev and in the light of the incidents that have come along in the Taiwan Straits and in Viet-Nam?

A. Well, with regard to the remarks made by Mr. Khrushchev—which I assume are those that have been attributed to Mr. Harriman in his interview with respect to rockets in Communist China—that is the first news of anything of that kind that we have had; so I am in no position to assess the validity of those statements.

With respect to the recent incidents, there is no question but what shelling has continued on odd days in Quemoy, that there is always the opportunity of a breakout again of hostilities in the Far East. We have to be continually alert. I think that perhaps the most disturbing thing with regard to the Far East that has happened has been the cut that has been made in military assistance in the Senate in the last 48 hours. It is not because of the amount of the cut as such, alone, but it is because it has to be taken in conjunction with the provision that a very large percentage of the money remaining must be assigned to NATO, which means that a disproportionately large amount has to be cut in the Far Eastern area. That may present some very serious problems for us in connection with the nations bordering on China, to whom we have been giving military assistance and to whom military assistance is of great importance from the point of view of maintaining stability.

Q. Mr. Secretary, you spoke of the absence of the German and the French Foreign Ministers. Have you been in consultation with Secretary Lloyd over the last several weeks?

A. No, I haven't been in direct conversation with him at all. I have talked with the Ambassador once or twice here.

Q. Has there been contact between the President and Mr. Macmillan?

A. None direct, that I know of.

Q. Mr. Secretary, in view of the lack of these contacts in the interim, plus a number of other items, including an interpretation by Mr. Macmillan which differed from ours on the progress of the first meeting and the near crisis situation in some respects between our Government and France over nuclear armaments—taking these things cumulatively, how much are they likely to militate against a united front amongst the Western allies at this second meeting?

A. Well, I assume that any family difficulties we have are always taken account of by the Russians. On the other hand, I can say this—I have said it before, and I want to repeat it: that in Geneva the united front was a genuine front, and I hope it is a front that will hold and hold effectively. Both the process of consultation and the process of reaching agreement—and I mean genuine agreement—was very real and to me very heartening.

Q. In that connection, sir, if I may, does it mean that the position of our Government is that we are willing to go to these meetings—I am not talking about the summit now—on the foreign ministers' level, ad infinitum?

A. No, not necessarily. "Ad infinitum" is quite a long time. (Laughter.) I think that, if we feel we are making real progress, we will stick with them. If we feel that we are stymied and are making no further progress, we would be very frank about it.

Q. Mr. Secretary, Khrushchev is quoted in Life magazine as having told Mr. Harriman that the Soviet Union would positively support Communist China in an offensive against Formosa. This seemed to go beyond his previous statements. Do you have any knowledge yourself of any such commitment or any such statement by Khrushchev?

A. None whatsoever.

Q. Mr. Secretary, independent of tomorrow's meeting of the OAS, could you give us some idea just how serious this Government thinks the situation in the Caribbean is?

A. Well, I think that the whole problem of the intervention of one country in the internal affairs of another country we always regard with real seriousness. It is very difficult to assess how serious any one of the individual reported actions



Secretary Herter holds his first news conference at the Department of State, July 9, 1959.

may be. However, there has been enough smoke, at least, to warrant the assumption that there is a certain amount of fire, and we take that seriously.

Q. Mr. Secretary, in your speech I believe you said that Mr. Khrushchev had said that no item in the Western proposal package was negotiable. Have you had any reason to revise your opinion of that now?

A. No, that statement of Mr. Khrushchev's applied to our proposal, the seven-point proposal with regard to West Berlin,⁴ not to the initial Western peace plan. It was on that that he said that none of the seven points was subject to negotiation.

⁴ For a statement by Mr. Herter on May 26, see BULLETIN of June 15, 1959, p. 860.

Q. Mr. Secretary, how long would you go on in Geneva if there were no progress, as there was in the previous 6 weeks? Would you stay on 2 or 3 weeks, or longer? Or how seriously do you take your Puerto Rico engagement?

A. Well, I wish I could give you the answer to that. I am hoping that we will not be there longer than 3 weeks.

Q. Mr. Secretary, in view of the position the United States has taken with regard to the continuation of our rights in Berlin, how could these be modified at all in any new discussion, based on these latest remarks of Mr. Gromyko's?

A. Well, as I say, the remarks of Mr. Khrushchev and those of Mr. Gromyko do not exactly gibe, and I think that our first responsibility is to

find out what the official position is. As you know, the remarks of Mr. Khrushchev were as reported in an interview, the remarks of Mr. Gromyko in documentary form, and I think that we have a definite responsibility to find out which represents the official Russian attitude.

Q. Do you have any idea that the U.S. might modify its position on the maintenance of its rights in Berlin?

A. We have not indicated any such thing.

Q. If the Russians withdraw their limitation on alleged—or proposed—limitation on our rights in Berlin, does that qualify as the progress that is necessary to go on to the summit? Or will we require some other further progress?

A. Well, as you know, we hadn't come close to agreement. There are other elements, obviously, that have still got to be planed out, and, when I mentioned this one particular attitude of the Russians, it doesn't necessarily mean that a satisfactory answer to that means a satisfactory agreement.

Q. Mr. Secretary, if the Soviets did give a satisfactory answer on that point, would it be possible for the Western Powers then to join in negotiations on the basis of the Soviet proposal?

A. Not necessarily. The Soviet proposal contains a number of things that I think you would realize, in view of our position, are objectionable to us. The Soviet proposal and our own proposals I think had only two or three things in common, that actually overlapped, from the point of view of points at issue. I would hope that we would return to negotiation on the basis of our proposals.

Q. Mr. Secretary, have you given any thought to a substitute to take your place in case the Foreign Ministers Conference is prolonged?

A. Yes, that obviously has to be considered.

Question of Agreement on Atomic Test Ban

Q. Mr. Secretary, we haven't seen you since the Berkner report⁵ has come out. Could you tell us how you feel that affects the prospects of our

⁵ For a summary of the conclusions reported on Mar. 16 by the Panel on Seismic Improvement, see *ibid*, July 6, 1959, p. 16.

agreement on the test ban, particularly in regard to the new findings about the possibilities of concealing tests?

A. Well, it is very difficult to tell. If we should reach an agreement with the Russians in regard to inspection of underground testing or underground illegal explosions, we could never expect that that would be a perfect system. We are not even sure that it would be an adequate system. The whole range of scientific data from a seismic point of view—and here we get into real technicalities—is a fairly uncertain one. The amount of work that has been done on underground explosions is comparatively small, and at the moment we have to operate with a considerable degree of uncertainty as to how effective the type of inspection system that we believe is desirable would be, once it was installed. We think it would probably be adequate to constitute a very real deterrent, but there are continual studies and evaluations being made on that subject and I would not want at this stage of the game to express a layman's opinion on what is a very highly scientific opinion that we will be receiving very shortly.

Q. Mr. Secretary, on that point, in view of the fact that the two Senate observers who called on you yesterday, I believe, and a number of other Senators have expressed opposition to a total ban and are favoring the alternative of an atmospheric ban, is it fair to say that the administration would prefer at this point, because of these technical uncertainties, to have only an atmospheric ban if that can be negotiated?

A. Well, I wouldn't say "prefer." I think that the administration might feel that it was more expedient and more practical to start in on an atmospheric ban and work toward better scientific competence from the point of view of inspections in connection with an overall ban.

Q. Mr. Secretary, a year ago the situation in the Middle East, to say the least, was unstuck. Can you assess for us briefly what you think the situation there is now from our point of view, particularly in respect to Iraq and our relations with Cairo?

A. Well, I would say that we are coming nearer to normalizing the situation in the Middle East, that from that point of view the signs are en-

couraging. With respect to detail in either the Cairo or the Iraqi situation, we are obviously maintaining an attitude of friendliness and hopefulness that our relations will be normalized even more. Stated in other terms, we, I think, are more optimistic than we have been on the turn the developments have taken in the Middle East area.

Q. Mr. Secretary, there is a movement in the Labor Party in Great Britain to create what is called a nonnuclear club to which Britain will invite all nations besides the United States and Russia to join. Has the American Government formulated any policy as concerns that kind of an international movement?

A. I am sorry to say this is the first I had heard of that particular movement, so that I don't think we have had an opportunity of formulating any policy with regard to it.

Q. Mr. Secretary, you have recently received a letter from Congressman [Francis E.] Walter on the art that is about to be exhibited in Moscow. Do you plan to answer him? I understand that he wanted you to screen the art and possibly remove some of the paintings.

A. It is true that we did receive such a letter. I think it is in the process of being answered now. My own feeling with regard to that exhibit is very much the same as that of the President. I would hate to see the administration or Government officials become art censors. I feel very much as the President does, as a lay individual, about the quality of some of the pictures that are being exhibited. But that is entirely a personal judgment. Unhappily I come from a family of painters—my grandfather, mother, father, brother, and daughter—and I feel less qualified perhaps than anybody to be an art critic. (Laughter.)

Q. Mr. Secretary, I am not clear from your remarks as to whether you are more optimistic now as to an agreement with the Soviets than you were after the negotiations recessed and you gave your television report to the Nation.

A. No, nothing has happened since. The only thing is the Gromyko statement I spoke of—that is the only thing that has intervened, and that is an important statement.

Q. Mr. Secretary, on the movement of the American fighter bombers from France, this is a

Defense matter, but it is generally regarded that the motives behind it are political and diplomatic. Could you tell us how much this is going to cost and whether it will come out of the mutual defense funds for European defense or whether it will come out of the Pentagon funds or even out of State Department funds?

A. That I cannot tell you the answer to. I have no idea what it would cost. This redeployment to facilities that have already been prepared may not cost a great deal—I just don't know.

Q. Mr. Secretary, the French Government has been pressing us for some time for sharing in global, strategic planning and the control of the use and deployment of nuclear weapons. Could you tell us where those discussions now stand?

A. There have been discussions, as you know, that have been taking place in Washington from time to time at the ambassadorial level which have covered some of that ground. They have not been conclusive in any way; they have been exploratory. That is where they stand at the present time. But I am hopeful, as I think both General de Gaulle and the President are, that before too long the opportunity will arise when they can discuss these matters themselves. They have a peculiar individual and personal interest in these matters entirely aside from the positions that they hold. For that reason it is entirely appropriate that they should discuss them together.

Q. Mr. Secretary, would agreement on a reasonable agenda be enough at Geneva to take the two sides on to a summit meeting?

A. Well, that determination would be made elsewhere. I would not make that determination. A reasonable agenda might cover a lot of things. At a summit meeting there is no way of stopping any Head of State who is there from bringing up any subject he wants to bring up. I am not at all sure how precise an agenda would be required, if any at all. The President has taken the same position consistently, that if the developments were such in the present negotiations that are going on to justify a summit conference, he will be glad to go to it.

Q. What would you consider as progress sufficient to warrant a summit conference?

A. That determination I would not want to make at this time.

Q. Mr. Secretary, do you have any plans to bring Ambassador [Charles E.] Bohlen back from Manila to serve you in some capacity here in the State Department?

A. That is something I discussed with Ambassador Bohlen some months ago when he was here in the United States. Nothing definite has come out of it for the simple reason that he has been engaged in very important negotiations with the Philippines as Ambassador. They are still continuing, and there is no telling how soon the crucial phases of those negotiations may have finished up. I have a real admiration for Ambassador Bohlen. He is reaching a time in his career when he could retire with, I think, the maximum retirement allowance and where he undoubtedly would have to consider retirement just from a financial point of view. Whether or not we can induce him to stay on and give his talents to the Government is something that still has to be explored.

Q. To clarify an earlier question, Mr. Secretary, I think you said you would have to consider a substitute for you perhaps at the Geneva talks at some point. Did you mean that that would be at a foreign ministers' level or some lesser level in the consultations?

A. Well, if it were agreed that the conversations should carry on for this indefinite period, then they would probably be carried on at a lower level.

Q. Mr. Secretary, how do you find life in your new job?

A. I don't know whether my life has been what you would call "typical" in this job, insofar as I have been out of the country just about twice as long—a little more than twice as long as I have been in the country, since I took it over.

Q. Mr. Secretary, there is a report that Ambassador [Jacob D.] Beam in Poland has asked the State Department to request Radio Free Europe to cease broadcasts beamed to Poland and that the State Department has decided against this. Can you tell us what the thinking was?

A. Well, I didn't know that any decision had been made one way or another. Radio Free Europe has served a very useful purpose, and I think still is. I have the utmost respect for the opinion of Ambassador Beam, and I am sure that

any recommendations that he has made will be very carefully studied. It is possible that he recommended that it not be "beamed," if I can put it that way, to Poland. (Laughter.)

Q. Mr. Secretary, you spoke of Ambassador Bohlen's negotiations in the Philippines. These have been going on from time to time for over 2 years. Can you explain how it is that we are unable to reach agreement with a friendly country on one issue for so long?

A. Well, the issues have been pretty large and pretty important, and I would rather not go into the areas of disagreement. There have been times when we were very optimistic that they could wind up quickly, but our optimism was proved unfounded. We are still optimistic, however, that we can reach agreement in the near future.

Q. Mr. Secretary, what is this country's position on the use of a multinational police force by the OAS? That provision is contained in the Mutual Security Act as it passed the Senate.

A. Well, I don't know that we have given that any formal consideration. I don't think that we have taken a position on it.

Q. Has Senator [George A.] Smathers talked to you about it?

A. No, he hasn't talked to me about it.

Q. Mr. Secretary, there seems to be a similar situation as the one with the Philippines developing in Panama. Panama rejected yesterday a memorandum on the wage problem in the Canal Zone. Have you looked into this matter yourself?

A. No. I have just had a very brief account of that. I think that they rejected it on procedural grounds, and I think we are looking into it to see whether there was any validity in that and ascertain just what it meant. It only just happened in the last 24 hours.

Separate Peace Treaty With East Germany

Q. Mr. Secretary, various Soviet spokesmen, including Premier Khrushchev, in the past few weeks have said that the Soviet Union definitely will go ahead and sign a separate peace treaty with East Germany unless we agree to proposals that the Soviet Union believes acceptable. What do you think would be the result if the Soviet

Union went ahead and signed such a separate peace treaty?

A. Well, a separate peace treaty is a part of two questions. One is the question of the access routes and the sovereignty to be exercised over the access routes. Actually, the Soviet Government when it created the East German state in 1955 had an exchange of letters, known as the Zorin-Bolz letters, with the newly created East German government, in which, on the one hand, all access rights to Berlin dealing with the civilian population were put in the hands of the East German government. Those dealing with access rights of the garrisons of the three Allied Powers in West Berlin were reserved to the Russians in accordance with the agreement which they had with the Allies.

Today, if the Russian Government wanted to turn over to the East German government the access rights that we now enjoy, they could do so by the plain cancellation of that Zorin letter. So that the peace treaty, as such, is not an essential part of that particular act.

I think that in talking of a separate peace treaty the Russians hope that they can get other nations outside of the Soviet bloc to recognize the East German government at the same time that they make a peace treaty with East Germany.

Q. Mr. Secretary, Mr. Harriman has suggested that it might be a good idea to have Soviet Premier Khrushchev visit the United States to rid himself of misconceptions. Do you think this would be a good idea?

A. It is certainly worth thinking about.

Q. Mr. Secretary, if you could use only one word to describe your feelings as you head back toward Geneva, what would that one word be?

A. It might be unprintable. (Laughter.)

Q. Mr. Secretary, we have had two Soviet visitors this year—Mr. Mikoyan and Mr. Kozlov. Do you think those visits have contributed to better understanding and a lessening of tensions between our two countries?

A. It is very hard to know how to gage them. On the whole, I would think that they were useful.

Q. Mr. Secretary, with respect to the situation around Taiwan, there was some talk after the

tense situation last year of thinning out the American forces and the American commitment, particularly with respect to Matsu and Quemoy. Can you tell us what our policy on that is today?

A. Well, I am not quite sure that I agree with the premise there. You say the "American commitments on Matsu and Quemoy"? As far as I know, there are no American commitments on those islands. There has never been more than a very small number of observers. We have never had troops on those two islands.

Q. I am speaking of the American commitment to defend those islands.

A. Well, as far as I know, any commitment that we have—and I am speaking now from a legalistic or moral point of view—has remained unchanged. The thinning out of the troops on Quemoy, particularly, is something that was under discussion. Just what the figures are now, I couldn't tell you, but I understand that there has been some thinning out.

Q. Mr. Secretary, do you intend to pay a visit to Berlin in the near future?

A. Yes. I am hoping to go to Berlin at the conclusion of the conference in Geneva. I am not sure that I will be welcome there, but I have talked to Mayor Brandt about it and I have told him that I wanted very much to come to Berlin, just to pay him a courtesy call. And I have agreed to do it just as soon as I can—just as soon as the conference is over.

Q. Why do you say you think you might not be welcome in Berlin?

A. Well, perhaps Berlin might be unhappy as a result [of failure] of the conference. I am hoping very much that that will not be the case. Perhaps I was talking a little facetiously.

Q. Mr. Secretary, some people in Italy are thinking that the Segni government has not been consulted enough on the shaping of Western policy toward the Soviets, despite the recent contribution of Italy for a reinforced NATO alliance. Have you any comment on that?

A. No, except to say this: that insofar as Italy is concerned, we have been consulting with Italy at every turn as far as I know. I took a special trip to Rome and met with the President, and with Prime Minister Segni and Foreign Minister Pella. The Italian Government has a man of ambassa-

dorial rank in Geneva with whom we were in touch all the time. Certainly our consultations have been of the very closest, and I understand that I am to meet Mr. Pella on Sunday in Geneva—this coming Sunday—for consultation again.

Q. Mr. Secretary, one of the points in both the Eastern and the Western Berlin proposals is the creation of some kind of all-German group. The Russians insist on parity. We have proposed a 25-10 ratio, I believe. Is this nonparity posture of the West an absolute position?

A. Well, the numbers that make up the group I don't feel is an item of too great importance. In the proposal that we made in the Western peace plan⁶ for a so-called all-German committee, we used that proportion. But we said that all decisions of the group should be made by a three-quarters vote. So that, in effect, either side had a veto on the other. If agreement had to be reached, the numbers on each side are not of primary importance.

Q. Mr. Secretary, there has been increasing talk in some quarters that a limited nuclear war may be inevitable. What is your view?

A. A "limited nuclear war"?

Q. That a limited nuclear war may be inevitable.

A. Well, I had never thought of a "limited nuclear war" in just those terms before. I certainly don't see why it is inevitable. I would hope a "limited" war would not be a "nuclear war."

Value of Geneva Talks

Q. Mr. Secretary, did you find your 6 weeks in Geneva a waste of time, or, if not, what fruitful elements did you find in it?

A. Well, speaking entirely personally, I found them of very real value because it gave me an opportunity to get to know Selwyn Lloyd and Couve de Murville and Dr. von Brentano extremely well as individuals, and I think that that is a very helpful thing in carrying out the responsibilities of my job.

⁶ For text, see *ibid.*, June 1, 1959, p. 779.

I also learned something about Russian negotiations, and I think that is useful. From the point of view of the specifics of our discussions, I think it was at least useful to get our positions fairly clearly outlined, so that when we start off this coming week we at least won't have to go over all the same ground that we went over those 6 weeks.

Q. Mr. Secretary, do you find that the Russians are using Geneva mainly for propaganda purposes?

A. No, I wouldn't say that. On occasion, they do. But the greater number of meetings that we had there were so-called "private" meetings—not the plenary sessions—at one villa or another. And they were very scrupulous from the point of view of not putting out any press releases as a result of the "private" conversation. And after each one of the meetings we would discuss what might be put out or what shouldn't be put out, and they didn't use those meetings for propaganda to the extent that we thought that they might.

Q. Well, then, would you conclude that they are trying seriously to find a solution to Berlin?

A. One day I think that, and the next day I think "no," so—I think that they are trying to find an answer.

Q. Mr. Secretary, there have been reports that some in the State Department were not too happy about the defeat of the Fulbright proposal for the Development Loan Fund. Were you happy about the defeat of these proposals?

A. Well, let me put it this way: What I liked about the Fulbright proposal—what I have always hoped could be done in connection with the Development Loan Fund was to secure a long-term commitment. On the question of the annual financing of that commitment, that was a matter where there might have been differences of opinion. But what I am really sorry about is that we didn't get the long-term commitment.

Q. Mr. Secretary, two Americans were killed yesterday in South Viet-Nam by what is said to have been a Communist terrorist attack. What intimation do we have about this threat of Communist influence in South Viet-Nam?

A. Well, I don't think that one can relate that directly to the spread of communism in South

Viet-Nam. There have been terrorist organizations operating in that country, as you know, for some time.

This is the third serious incident in which bombs have been used and unprovoked attacks on the members of the Government, or ourselves and the USIA, and on the military force. It is a very unfortunate incident. Of course, President Diem has apologized very profusely for it. Every effort is being made to round up the terrorist group and we have entered into a comparatively recent commitment for the development of the organization of a constabulary police force and its arming, which may be very helpful in keeping that type of operation under control.

Q. Mr. Secretary, Vice President Nixon is due to visit Russia in a couple of weeks. Do you think it would be useful if he discussed some of our international problems with Premier Khrushchev and other Soviet officials?

A. I know that Vice President Nixon is not going over to negotiate anything. If he is, of course, asked his views on any of our problems, he is very articulate, very well informed, and I think it is always useful to have a high official of the Government able to discuss them if the Russians want to enter into any discussions. But by that I do not imply that he has any intention of negotiating or that that is the purpose of his mission.

Q. Thank you, sir.

Secretary Herter Leaves for Geneva To Resume Foreign Ministers Meeting

VISIT TO OTTAWA

Press release 494 dated July 8

Secretary Herter will stop for a few hours in Ottawa en route to Geneva for informal talks with the Prime Minister, the Minister for External Affairs, and other officials of the Canadian Government. The Secretary, accompanied by Mrs. Herter and a staff which will continue on with him to Geneva, is scheduled to arrive at the Ottawa airport on July 11. The party will enplane that same day for Geneva.

DEPARTURE STATEMENT¹

Press release 506 dated July 11

I leave for Geneva for the Foreign Ministers Conference, which resumes after 3 weeks' recess.²

My colleagues of France and the United Kingdom and I will strive, as we did before, to reach a reasonable agreement with the Soviet Union on the problems of Germany and Berlin. We go to Geneva resolved, as before, to negotiate in good faith and equally determined to maintain our obligations to the more than 2 million free people of West Berlin.

Before I left for the first series of discussions in Geneva I said I had no great expectations for success. Negotiations with the Soviet Union require infinite patience and long labor. That remains my view as we approach the second series of discussions.

I am confident that the same close unity among the Western allies which brightened our work at Geneva will again prevail.

En route to Geneva I shall stop at Ottawa for conversations with the Canadian Prime Minister, Mr. Diefenbaker, and the new Secretary of State for External Affairs, Mr. Green. In the difficult period ahead the continuing close understanding between Canada and the United States on the basic issues involved will be invaluable.

Significance of Fourth of July

Message of President Eisenhower³

My fellow Americans: 183 years ago a dramatic event took place in our country—the proclamation of our independence and the establishment of our Nation. Today I speak to each of you—American citizens abroad—first, to convey the greetings of all of us at home on this special occasion; and second, to acknowledge a keen appreciation of your important role as our representatives to the rest of the world.

¹ Made at Washington National Airport on July 11.

² For background, see BULLETIN of July 6, 1959, p. 3.

³ Recorded for broadcast to Americans overseas on July 4 via the facilities of the worldwide English service of the Voice of America (White House press release dated July 3).

Approximately two and a half million of you are outside the United States today, all guests in foreign lands. Whether you are overseas in an official capacity, serving at one of our diplomatic missions or consular posts; or in uniform, helping to secure the common defense of freedom; or studying or teaching at a foreign school; or contributing knowledge to help improve the health or productivity of one of the world's newly developing lands; or working as a correspondent of our free press; or engaged in commerce; or traveling as a visitor to enhance your understanding of our neighbors on earth—you are, in foreign eyes, guests of those nations in which you reside. I trust that your hosts may ever consider you welcome representatives of the United States and of everything we cherish.

On this national holiday, I take this opportunity to talk to you directly about what you represent.

First of all, the significance of July fourth. This date annually commemorates and renews our dedication to the principles of freedom, of government elected by the people, of equal opportunity for all.

These are not static principles. What began in 1776 was a continuing, dynamic experiment. Let us look at the United States today to see what we have accomplished since 1776 in carrying out the American experiment. In these 183 years we have developed an industrialized society while maintaining our personal freedoms. Despite the predictions of Karl Marx, our economy has developed swiftly through unprecedented teamwork on the part of those who toil and those who invest and manage. During this development the working man has obtained an increasingly larger share of the fruits of his labors. We live under the rule of law, which jealously guards our freedom from illegal restraint. It guarantees our freedom of information, our freedom of movement.

I do not suggest that all of these achievements exist constantly or uniformly throughout our land. The goals for which America strives are not always easy of attainment. But we have an abiding determination to reach those goals without sacrifice of principle and to further the cause of freedom at home and abroad.

We have grown in the realization of interdependence among nations as well as among individuals.

We helped establish and steadfastly support the United Nations in applying the concept of collective security to preserve freedom and integrity.

We felt it our duty to extend help to those who need and desire it. In the forms of economic, scientific, technological, and defense assistance, we try to help other peoples realize their legitimate aspirations.

Our major goal is the achievement of a lasting peace with justice.

This, then, is what you represent abroad. You can be proud of the American experiment—dynamic, vital, constructive, hopeful. I ask you to tell that story. But let the facts speak for themselves. It is traditional with us not to impose ideas on other peoples. And in those countries engaged in social experiments of their own, let them know that we wish them well in their efforts toward the peaceful enhancement of the individual. Give our encouragement to all nations to solve their problems in their own way, in accordance with their own traditions—as we do ourselves. If my message to you on this Fourth of July could be put into one sentence, it would be this:

State the facts of freedom and trust in God, as we have ever done. Thus, we know that truth will triumph.

God bless you all.

Export-Import Bank Director Visits Argentina

Press release 495 dated July 8

The U.S. Government has followed with sympathy and interest the efforts of President Arturo Frondizi and the Argentine Government to overcome current economic problems and thus to assure fuller development of that nation's resources with the aid of the \$329-million credit line announced last December.¹

The Export-Import Bank, which participated in that credit, announced on July 8 that one of its directors, Vance Brand, will arrive at Buenos Aires on July 20. In representation of the Board of Directors of the Bank, Mr. Brand will discuss with the President and his economic ministers the progress of the Argentine economic program and the use of the credits previously agreed upon.

¹ BULLETIN of Jan. 19, 1959, p. 105.

American Foreign Policy in the Middle East

by Robert McClintock
*Ambassador to Lebanon*¹

The United States did not have much interest in the Middle East until after the First World War so far as foreign policy was concerned. However, there was always great public interest in the holy places in Palestine, and there was considerable American missionary activity which came to useful fruition in the educational field in such universities as Robert College at Istanbul and the American University at Beirut. Also, in the mid-19th century the American Navy charted the Dead Sea and brought back to Texas and Arizona a number of camels in the hope that these animals of the Arab desert would prove economically useful in the Great American Desert.

At the end of the First World War, when the victorious powers were disputing among themselves over the breakup of the Ottoman Empire, President Wilson dispatched the King-Crane Commission in 1919, which recommended an American mandate for the Near East, and in general it appeared that the people in the area would have welcomed such a mandate. However, the United States did not assume this responsibility, and, in fact, its interest in the Middle East remained quiescent until the Second World War.

However, as the United States emerged as the strongest power of the free world, with all the strategic responsibilities which this role entailed, it could no longer ignore the strategic significance of the Middle East. No other region on earth possesses a tricontinental position, linking, as it does, Europe with Asia and Africa.

Because of its tricontinental position, the Middle East has throughout the centuries of its history been a region of transit. Thus, from the days

of Phoenicia to the present time the Middle East has been a region of caravan routes or of seaborne commerce. It has been a great isthmus for the trade between east and west, north and south. Likewise, the Middle East has been a transit area for people not only moving in trade but as pilgrims to the holy places of Jerusalem and Mecca. It has been a transit area for innumerable armies from the time of the Hittites, the Assyrians, the Egyptians, and Persians to the Greeks, Romans, Turks, and the armies of the Western Powers. We who live in Lebanon have seen the insignia of these armies inscribed on the walls of the Dog River. Only one foreign army never put its name there. This was the American force which landed in Lebanon last year and left voluntarily without causing a casualty.

Not only was the Middle East of importance to the United States for its strategic position, but likewise, with the advent of oil as the principal source of energy in an industrial age, the Middle East took on a new importance as the greatest reservoir of hydrocarbon energy on the globe.

Therefore, because of its strategic situation, its natural resources, and its human resources in the Arab race and culture, it became important in American foreign policy to assist the countries of the area to remain free, to prevent encroachment on their sovereignties, and to maintain the traditional transit of people and things across the tricontinental position.

Third-Party Problems

It is not my purpose this evening to discuss a variety of "third-party problems" which have engaged the interest and sympathy of the United States but which are peripheral to the main lines of our foreign policy. There have been many

¹ Address made before the Lebanese Political Science Society at Beirut on June 2.

problems of the Middle East in which the United States has become involved, not from its own interest but because these problems concerned the friends of the United States in one way or another. Such problems include those of the negotiations which gave rise to the withdrawal of the British forces from the Suez Zone; the emergence of new nations through negotiations as, for example, in the case of the Sudan; the problem of Cyprus, which has now happily been resolved by the statesmanship of Greece, Turkey, and Great Britain; and the problem of Israel.

Here it might be said, in passing, that in 1955 our great Secretary of State, John Foster Dulles, whose funeral took place last week, made some concrete and friendly proposals for a resolving of a great Middle Eastern problem but that thus far these proposals have evoked no response either in Israel or among the Arab states. Mr. Dulles in 1955 offered American assistance in alleviating the tragic plight of the 900,000 refugees who formerly lived in the territory that is now occupied by Israel; he offered American assistance in seeking to prevent attack across the frontiers between Israel and its Arab neighbors; he offered American assistance in fixing those frontiers.² However, as I have indicated, no nation of the Near East accepted these suggestions and offer of assistance of the United States.

Most Nations in Middle East Are New

In pursuance of the United States policy to help the nations of the Middle East maintain their freedom, it is worth noting that most of the nations of the Middle East are new. In fact, with the exception of Iraq, Yemen, Egypt, and Saudi Arabia, all the nations of the Arab world achieved sovereignty after World War II. In these new states one can discern the truth of Lord Attlee's observation that when new nations are born there is an immense release of political energy. New countries in the Middle East and elsewhere, which had strived for many years to cast off the previous servitude of colonialism, have now won their struggle, but there is still a vast release of political energy which they now seek to channel in new and constructive directions.

² For an address by Mr. Dulles before the Council on Foreign Relations at New York, N.Y., on Aug. 26, 1955, see BULLETIN of Sept. 5, 1955, p. 378.

The United States, which also was once a new nation emerged from previous colonial status, has a particular sympathy for, and respect of, the new nations. As President Eisenhower said last year in addressing the third emergency special session of the United Nations General Assembly,³

... the United States respects the right of every Arab nation of the Near East to live in freedom without domination from any source, far or near.

What are the U.S. policies in the Near East seeking to aid the new nations (or, for that matter, the old) to remain free?

Systems of Collective Security

In the first place, the United States believes in and relies on systems of collective security. The charter of the United Nations is based on the principle of collective security, both in action by the Security Council under chapters VI and VII, or in systems of regional collective security authorized by the charter, or through collective action by the General Assembly, as instanced by the so-called "Arab resolution" passed by the special session last summer.⁴

The United States is not a member of the Baghdad Pact, nor at the present time is any Arab state a member of that alliance. However, the United States supports the Baghdad Pact, a purely defensive collective-security arrangement which has protected its members against the threat of Communist aggression. Also, in the same spirit of collective security, the United States has recently entered into bilateral defense arrangements with the three Middle Eastern members of the Baghdad Pact, Turkey, Pakistan, and Iran.⁵

As for other instruments of collective security in the Middle East, the United States respects such indigenous collective-security arrangements as the Arab League. The United States, in particular, respects the natural desire of the Arab nations for unity within the area. As Secretary Dulles said at his news conference of July 31 last year,⁶

... there is no opposition that I know of on the part of the United States to Arab nationalism. There are plenty of good reasons why there should be greater unity among the Arab nations. The United States encourages

³ *Ibid.*, Sept. 1, 1958, p. 337.

⁴ For text, see *ibid.*, Sept. 15, 1958, p. 411.

⁵ *Ibid.*, Mar. 23, 1959, p. 416.

⁶ *Ibid.*, Aug. 18, 1958, p. 265.

that. We were among the early nations to recognize the U.A.R. when it was formed. Some of our friends held back. We did not. . . . There is no opposition on the part of the United States to an increased Arab unity which expresses, and gives an opportunity to, the aspirations of the Arab peoples.

Eisenhower Doctrine

In addition to arrangements for collective security, the policy of the United States comprehends the possibility of either elective or bilateral means to assist the nations of the Near East to remain free. Here let me say a word about one of the most misunderstood, misquoted, and misnamed policies of the United States, which is described under the unofficial title of the "Eisenhower Doctrine."

In the first place, the joint resolution of the American Congress concerning the Middle East⁷ was a purely unilateral statement of an American intent to come, if requested, to the assistance of Near Eastern countries should their independence be endangered by aggression from any country controlled by international communism. This was a statement of policy from the Congress of the United States to the executive branch of the Government. It was not an international pact, not a bilateral agreement with any state. However, since the purpose of the so-called Eisenhower Doctrine was to help free nations of the Middle East to resist Communist aggression, it was no wonder that Communist propaganda sought, and with a considerable degree of success, to twist its meaning in the popular imagination. It would be our hope that, in view of recent developments in the Middle East and Asia which have shown the true face of the Communist peril, there will be a greater realization that the policy enunciated by the U.S. Congress is a sound one which can be availed of by free nations who desire help to remain free.

There are other ways in which the United States has acted in the Middle East to help free countries remain free. As President Eisenhower said to the General Assembly on August 13 last year:

I recall the moments of clear danger we have faced since the end of the Second World War—Iran, Greece and Turkey, the Berlin blockade, Korea, the Straits of Taiwan.

⁷ For text, see *ibid.*, Mar. 25, 1957, p. 481.

A common principle guided the position of the United States on all of these occasions. That principle was that aggression, direct or indirect, must be checked before it gathered sufficient momentum to destroy us all—aggressor and defender alike.

It was this principle that was applied once again when the urgent appeals of the Governments of Lebanon and Jordan were answered.

Furthermore, the President, in placing the American action in responding to the appeal of the Lebanese Government within its proper framework of action under the United Nations "Peace Through Deeds" resolution of 1950,⁸ proposed a concrete plan for insuring peace and progress in the Middle East. He addressed himself not only to the danger of indirect aggression but to the long-range problems imposed on the Middle East by shortage of water, by disease, and by lack of economic development. Thus, he proposed a United Nations Peace Force to help maintain the integrity of nations in the Near East; a regional economic development plan to assist and accelerate improvement in the living standards of people in the Arab nations; and steps to avoid a new arms race spiral in the area. It is a hopeful sign that, on the second of President Eisenhower's proposals, for an Arab development institution, Lebanon recently led the way in the Council of the Arab League in proposing an Arab Development Fund to be derived from oil revenues.

Respect for Policies of Nonalignment

Thus far we have seen that American policy toward the Near East of seeking to help free countries remain free has included systems of collective security and systems of straight bilateral aid from the United States to countries who feel their independence and integrity are in jeopardy. However, there is a third American policy which is applicable toward the overall objective of helping free nations remain free. This is respect for policies of nonalignment.

Many of the new nations created since World War II have felt that the best foreign policy for them to adopt is to remain neutral in wars, cold or hot. The United States, under similar circumstances when it was a new nation, adopted a similar policy. The United States followed the advice of George Washington to stay out of "entangling alliances," the advice of Jefferson to

⁸ For text, see *ibid.*, Nov. 13, 1950, p. 767.

stay out of the "broils of Europe," and the advice of Monroe, as expressed in the Monroe Doctrine, to keep the "broils of Europe" out of the New World. The United States contributed perhaps more than any other nation to the international law of neutrality. So recently as 1 month ago, on the 4th of May, at the opening of a conference in Washington called "India and the United States, 1959," Vice President Nixon said that the purpose of U.S. aid "is not to make any country dependent on us but to allow all countries to be independent of us and of any foreign domination."

American respect for policies of nonalignment is based on the belief that if neutral countries remain really neutral they will be able to resist the encroachment of international communism or any other "ism" that threatens their independence. It is interesting that the aim of this policy of respect for nonalignment is identical with that of the much misunderstood and maligned so-called Eisenhower Doctrine, which is to help free countries to prevent the encroachment of international communism. If the neutral new countries succeed in maintaining an absolute neutrality, communism will be barred. The need, however, is for policies of "positive neutrality" to be positively neutral.

In conclusion, therefore, the foreign policy of the United States in the Middle East is simple, straightforward, and constructive. In one sentence it can be defined by saying that, in the vitally strategic tricontinental bridge of the Middle East, the home of three world religions, the center of Arabic race and culture, and the site of the world's largest reserve of oil, the United States seeks to maintain freedom of transit, religion, and commerce within the framework of peace, and to assure the freedom of the Middle Eastern nations.

Burma Designates U On Sein Ambassador to Washington

Press release 499 dated July 9

The U.S. Government has been informed that the Government of the Union of Burma has designated U On Sein, former Burmese Ambassador to Pakistan, as the next Burmese Ambassador to the United States. He will succeed U Win, who has been Burmese Ambassador to Washington since December 1955.

July 27, 1959

514057-59-3

U.S. Aid Offered to Burma

Press release 486 dated July 6

The Department of State announced on July 6 that, pursuant to a request of the Burmese Government, the United States has offered to provide substantial economic assistance to two major development projects in Burma. These projects involve the construction of a modern highway connecting Rangoon with central Burma and of modern dormitory-classroom facilities at the University of Rangoon.

Diplomatic notes were exchanged at Rangoon on June 24 between the U.S. Ambassador to Burma, Walter P. McCaughy, and Burmese Foreign Minister U Chan Tun Aung, providing for the use of up to \$1 million of U.S. economic assistance funds to finance feasibility, engineering, and other studies for these two projects. It is anticipated that most of these studies will be carried out by the United States Army Corps of Engineers.

The Burmese Government has also been informed that the United States is prepared to make available over the next 4 years up to \$30 million in economic assistance toward the foreign exchange costs of these projects. This would be subject to mutual agreement on details, compliance with applicable U.S. legislation, and appropriation of funds by the Congress. On its part, the Burmese Government would cover, from loans or other sources, the foreign exchange costs of the projects, in excess of this U.S. contribution. The Burmese Government will also cover local currency costs of the projects. The United States is prepared to assist in financing a portion of these local currency costs by providing the equivalent of \$6 million in Burmese currency derived from sales to Burma under the surplus agricultural commodities program (Public Law 480).

The Department stated that this assistance is intended as a token of friendship toward the people of Burma to assist the development of Burma's economic and human resources. A modern highway serving the interior of Burma will stimulate further economic development, while the new facilities at the University of Rangoon will contribute materially to the improvement of higher education for the young people of Burma. The Burmese Government has indicated that it considers these projects exceptionally important to the future of Burma.

U.S. Files Application Instituting Proceedings Against U.S.S.R. for Destruction of B-29 Over Hokkaido in 1954

DEPARTMENT ANNOUNCEMENT

Press release 491 dated July 7

On July 7 Philip Young, U.S. Ambassador at The Hague, filed an application of the U.S. Government instituting proceedings before the International Court of Justice against the Soviet Government for damages in the amount of \$756,604.09. The suit is the result of the destruction by Soviet fighter aircraft of a U.S. Air Force B-29 aircraft on November 7, 1954, over Hokkaido, Japan. This marks the end of diplomatic negotiations which have been conducted in an attempt to obtain satisfaction from the Soviet Government for an act which resulted in the loss of a human life and also of a plane.¹

The present proceedings are being instituted after the Soviet Government had been requested to join the U.S. Government in submitting this case to the International Court of Justice. The last such request was made on June 19, 1958. The U.S. Government has received a negative reply to this note but still hopes that the Soviet Government will ultimately accede to the jurisdiction of the Court.

The present proceedings have been instituted in accordance with the well-established U.S. policy of resolving such disputes, whether of fact or of law, in the International Court of Justice. The Court is the judicial organ of the United Nations for this purpose and is the appropriate international body before which such cases can be heard and decided.

The facts, as described in prior Department press releases and in the notes annexed to the application are, in brief, as follows: A B-29 aircraft was engaged in a routine flight near and over the Nemuro Peninsula of Hokkaido, Japan, on November 7, 1954, when it was attacked by several fighter aircraft from the Soviet-occupied islands

to the east of that part of Japan. Although the B-29 turned closer into Japanese territorial airspace in an attempt to escape, the Soviet aircraft continued their attacks. The plane began to burn, and the crew bailed out over the mainland of Hokkaido. In the course of the bailout one of the crewmen was killed and others injured. The aircraft was wholly destroyed. Property of Japanese nationals living on Hokkaido was also damaged.

This case has legal principles which are, in part, similar to those which the Soviet Government refused to litigate in the case of the B-29 aircraft which was attacked and destroyed off the Nemuro Peninsula of Hokkaido on October 7, 1952.² In addition, as the application explains, there are other principles of law which may be involved and which the United States Government seeks to have declared and applied by the International Court of Justice. The rules of international flight of aircraft, whether near or, by force of circumstances, over international boundaries, are a subject which the United States has always sought to determine by principles of international law and without resort to force. The Soviet Government and other governments in the Soviet bloc have thus far resisted such determinations. They have continued to exert force and to assert facts in justification of their conduct which they have been unable and unwilling to support by accepted legal standards before appropriate international judicial institutions.

TEXT OF APPLICATION TO INTERNATIONAL COURT OF JUSTICE

JUNE 8, 1959

SIR: 1. This is a written application, in accordance with the Statute and Rules of the Court, submitted by the Government of the United States of America institut-

¹ For background, see BULLETIN of Nov. 29, 1954, p. 811, and July 8, 1957, p. 68.

² For background, see *ibid.*, Oct. 27, 1952, p. 649; Oct. 18, 1954, p. 579; and July 11, 1955, p. 65.

ing proceedings against the Government of the Union of Soviet Socialist Republics on account of certain wilful acts committed by fighter aircraft of the Union of Soviet Socialist Republics. These fighters attacked and destroyed a United States Air Force B-29 airplane engaged in legitimate and peaceable flight in the area of the Japanese Island of Hokkaido and caused thereby the death of one crew member of the B-29, an American national, and injury to the remaining members of the B-29 aircraft, all American nationals. This incident occurred on November 7, 1954.

The subject of the dispute and a succinct statement of the facts and grounds upon which the claim of the Government of the United States of America is based are adequately set forth in a note delivered to the Soviet Government on May 23, 1957. A copy of the note is attached to this application as an annex.

The Soviet Government has asserted various contentions of fact and law with reference to the United States Government's claim in other diplomatic correspondence on this subject, including notes attached as annexes to this application, namely the notes of November 7, 1954 and December 11, 1954, a note of August 19, 1957, in reply to the United States Government's note of May 23, 1957, and a note of March 4, 1959, in reply to the United States Government's note of June 19, 1958, copies of which are also attached hereto as annexes.

2. The United States Government observes that the dispute between the United States Government and the Soviet Government as set forth in the foregoing diplomatic correspondence concerns matters of the nature specified in Article 36(2) of the Statute of the Court, including subdivisions (a) through (d). As will be seen from the annexes, the legal dispute of the United States Government with the Soviet Government involves serious questions of international law. Some of these questions were also involved to some extent in the case of the Aerial Incident of October 7, 1952, which was described in the application filed with this Court on June 2, 1955.³ These include the legality in international law of the Soviet claims to land, waters and air space in the area of the Habomai Islands and Shikotan, and to Kunashiri and Etorofu, and their territorial waters and air space.

The incident of November 7, 1954 thus represents an aggravation of the conduct complained of by the United States in its earlier application against the Soviet Government. In addition there are involved the apparent Soviet claims to treat as hostile peaceable aircraft of the United States over international waters and in the air space in the Goyomai Strait and leading thereto, as well as all Soviet claims of sovereignty in this area. In that connection, there is involved the interpretation of the Treaty of Peace with Japan signed by the United States and other governments in San Francisco on September 8, 1951. There are also involved the scope and application of international obligations relating to the interception by military aircraft, together with other issues of fact which if resolved in favor of the United States Government would demonstrate breaches of international

obligation by the Soviet Government; and the nature and extent of reparations to be made by the Soviet Government to the United States Government for all these breaches.

The United States Government, filing this application with the Court, has submitted to the Court's jurisdiction for the purposes of this case. The Soviet Government appears not to have filed any declaration with the Court thus far. It was invited to do so by the United States Government as to the present dispute in the note of June 19, 1958. The Soviet Government has sent a negative reply thereto. The Soviet Government is, however, qualified to submit to the Court in this matter and may, upon notification of this application by the Registrar, in accordance with the Rules of the Court, take the necessary steps to enable the Court's jurisdiction over both parties to the dispute to be confirmed.

The United States Government thus founds the jurisdiction of this Court on the foregoing considerations and on Article 36 (1) of the Statute.

3. The claim of the Government of the United States of America is briefly that the Government of the Union of Soviet Socialist Republics on November 7, 1954 caused fighter aircraft of its Air Force to overfly international air space and the territorial air space of Japan in the area of Hokkaido to intercept, attack and destroy a United States Air Force B-29 airplane engaged in legitimate and peaceful flight within Japan and the international air space adjacent thereto.

The United States Air Force, prior to and on November 7, 1954, had been duly authorized, by virtue of the Security Treaty between the United States and Japan, signed September 8, 1951, to conduct flights by military aircraft over Japanese territory. Pursuant to this authority, on the morning of November 7, 1954, a United States Air Force B-29, bearing serial number 42-94000, and with the identification call sign "AF-4705," was duly dispatched with instructions to fly in specified areas exclusively within the territorial confines of the Island of Hokkaido and the adjacent international air space. The aircraft's crew were eleven men, all members of the United States Air Force and nationals of the United States. The B-29 had flown along the southeast end of Hokkaido and had reached a point south of the town of Nemuro. The pilot then made a turn with the purpose of flying back along a parallel of latitude approximately 43 degrees, 18 minutes north, running through the island of Tomoshiri in the east and through the town of Shibeche in Hokkaido in the west. The B-29 executed a left turn over the international waters of the Pacific toward a heading of approximately 360 degrees due north, southwest of the tip of Nemuro Peninsula. Two fighter type aircraft of the Soviet Government moved in on the B-29 and while the B-29 was flying due west on a heading of 270 degrees in the Japanese territorial air space, the two Soviet fighters opened fire with successive bursts without any warning of an intention to fire and without any provocation by the B-29 justifying or reasonably calling for such hostile action. The firing of the Soviet fighters continued, directed to the destruction of the B-29, to the point where it had passed completely over the land

³ For text, see *ibid.*, July 11, 1955, p. 65.

mass of Hokkaido, so that the crew were forced to abandon the aircraft by parachute. The airplane crashed on Japanese soil near the village of Kamishunbetsu in Hokkaido and one crew member who had parachuted was seriously injured and died. Damage was also caused to the house of a Japanese national and to cultivated fields and crops of another Japanese national.

The facts are more fully set forth in the United States Government note of May 23, 1957. The damages suffered by the United States Government, for which the Soviet Government is liable, are specified in the annexed note of June 19, 1958 as well. The United States Government claims that in the circumstances described in the annex the actions chargeable to the Soviet Government constituted serious violations of international obligation for which the United States Government has demanded and demands monetary and other reparation.

In diplomatic correspondence with reference to this matter, including that which is attached hereto, the Soviet Government has asserted a version of the facts and of the law contrary to that asserted by the United States Government. The United States Government believes that in the circumstances recited the diplomatic channel of negotiations must be determined to have been exhausted. A dispute is therefore presented appropriate for hearing and decision by this Court in accordance with the Statute and Rules.

The United States Government, in further pleadings herein, will more fully set forth the issues of fact and the issues of law in this dispute. It will request that the Court find that the Soviet Government is liable to the United States Government for the damages caused; that the Court award damages in favor of the United States Government against the Soviet Government in the amount of \$756,604.09, and such other reparation and redress as the Court may deem fit and proper; and that the Court make all other necessary awards and orders, including an award of costs, to effectuate its determinations.

4. The undersigned has been appointed by the Government of the United States of America as its agent for the purposes of this application and all proceedings thereon.

Very truly yours,

LOFTUS E. BECKER
*The Agent for the
Government of the United States of America*

THE REGISTRAR
OF THE INTERNATIONAL COURT OF JUSTICE,
The Hague.

Annex 1

NOTE TO THE SOVIET GOVERNMENT OF NOVEMBER 7, 1954
[For text, see BULLETIN of Nov. 29, 1954, p. 811.]

Annex 2

NOTE FROM THE SOVIET GOVERNMENT OF NOVEMBER 7, 1954
[For text, see BULLETIN of Nov. 29, 1954, p. 812.]

Annex 3

NOTE TO THE SOVIET GOVERNMENT OF NOVEMBER 17, 1954
[For text, see BULLETIN of Nov. 29, 1954, p. 811.]

Annex 4

NOTE FROM THE SOVIET GOVERNMENT OF DECEMBER 11, 1954
No. 104/OSA

In connection with the note of the Government of the United States of America No. 390 of November 17 of this year the Soviet Government considers it necessary to state the following:

The note of the Soviet Government of November 7 contained established facts, according to which on November 7 this year at 1320 local time (1241 Vladivostok time) an American four-motored military airplane of the B-29 type violated the state boundary of the USSR in the region of the island of Tanflev (Kurile Islands) and continued to penetrate into the air space of the Soviet Union in the direction of this island. At the time of the flight over the indicated island the violating airplane was met by two Soviet fighter planes with the purpose of pointing out that it was inside the boundaries of the USSR, and to propose that it immediately leave the air space of the Soviet Union. However, the American plane upon the approach of the Soviet fighters opened fire on them. In connection with this unprovoked action of the American airplane, the Soviet airplanes were forced to open answering fire. The American violating airplane left the air space of the USSR only after this and departed in a southwesterly direction.

The facts set forth above accurately established by appropriate verification refute assertions contained in the reference note of the Government of the United States of America, to the effect that the airplane of the United States was shot down on November 7 by Soviet airplanes over Japanese territory in the region of the Island of Hokkaido and to the effect that the attack was begun by Soviet airplanes.

From the note of the Government of the USA it follows that it does not dispute the fact that the flight of the American airplane of the B-29 type took place along the course indicated in the note of the Soviet Government of November 7 and that the encounter of the American airplane with the Soviet airplanes took place over the island of Tanflev (Kurile Islands).

The Government of the USA alleges, however, that the American airplane did not open fire on the Soviet airplanes. Nevertheless, the fact that at the approach of the Soviet fighters the American airplane opened fire has been established by trustworthy means, including appropriate apparatus.

In this connection it is appropriate to call to mind that in the note of the Government of the USA of September 6 of this year⁴ regarding an American military airplane of the Neptune type, which had violated the state boundary of the USSR in the region of Cape Ostrovnoi on September 4 of this year, the assertion was also made that the

⁴ For text, see *ibid.*, Sept. 13, 1954, p. 365.

American military airplane did not open fire at all on the Soviet fighters. However, later the Navy Department of the USA, and also the American representative in the UN in his speech in the Security Council on September 10, 1954,⁵ admitted that the American airplane actually did fire on the Soviet airplanes.

As regards the allegation of the Government of the USA to the effect that certain southern Kurile Islands, in the region of which incidents with American airplanes took place, are not Soviet territory, this statement is without foundation and is in plain contradiction with provisions of the Yalta agreement on the Kurile Islands, in which the USA also is a participant. As is known, the Soviet Union on the basis of agreements between the Allies concerning the surrender of Japan accepted capitulation of the Japanese forces on the territory of all the Kurile Islands, which by decision of the Yalta conference were transferred to the Soviet Union. In accordance with the agreement mentioned above and in the directive of the staff of the Supreme Commander of the Allied Powers, MacArthur, of January 29, 1946, it is directly pointed out that these islands are excluded from the sovereignty of Japan along with other territories which were withdrawn from Japan.

In view of the foregoing, the Soviet Government states that the protest of the Government of the USA does not have basis.

The Soviet Government in its note of November 7 has already expressed its regret with reference to the fact that instances of violations by American military airplanes of the state boundary of the USSR which have taken place, including the instance which occurred on November 7, involve, as indicated in corresponding notes of the Government of the USA, losses and casualties which are in no way justified. In stating this, the Soviet Government proceeds on the assumption that henceforth measures will be taken on the part of the USA excluding repetitions of similar instances.

The taking of measures to prevent henceforth violations by American airplanes of the Soviet state boundary would permit similar incidents and losses connected with them to be avoided. However, it cannot but be observed that the statement of the Government of the USA that in the future it will "insure necessary defense" of airplanes of the US can in no way contribute to this. Such actions of the American military command could only increase the risk of repetition of similar incidents, not to mention that these actions would be contrary to the interests of lessening international tension. The Soviet Government confirms its note of November 7 of this year and expects that the Government of the USA will give appropriate instructions to the command of military air forces of the USA to take necessary measures to prevent in the future violations by American airplanes of the state boundary of the Soviet Union.

Annex 5

NOTE TO THE SOVIET GOVERNMENT OF MAY 23, 1957
[For text, see BULLETIN of July 8, 1957, p. 68.]

⁵ For text, see *ibid.*, Sept. 20, 1954, p. 417.

Annex 6

NOTE FROM THE SOVIET GOVERNMENT OF AUGUST 19, 1957
No. 46/OSA

In connection with the note of the Government of the United States of America, No. 945 of May 23, 1957, the Government of the Union of Soviet Socialist Republics considers it necessary to state the following.

Examining the above-mentioned note of the Government of the USA relating to the incident which took place in connection with the violation by an American four-motored military airplane, B-29, of the state border of the USSR in the region of the island of Tanflyev (Kurile Islands) on November 7, 1954, the Soviet Government notes that in this note, there is contained nothing new relative to the incident in question in comparison with what the Government of the USA has previously stated on this question. In the note, there is again repeated a version of the incident, contradicting exactly established facts at the disposal of the Soviet Government.

The Soviet Government in its notes of November 7 and December 11, 1954 has already set forth, on the basis of factual data, the conditions of the violation by an American military airplane of the Soviet state border. Verified factual data show that on November 7, 1954 at 12:41 Vladivostok time, an American military airplane B-29 violated the state border of the USSR in Soviet Strait (Koemai-Kaikio) towards the southwest from the shoal of Kaigara-Sendan and penetrated into the airspace of the USSR to the extent of more than 30 kilometers, approximately to a point with coordinates of 146°15' eastern longitude and 43°24' northern latitude. After that, the B-29 airplane turned towards the west, went over the northern extremity of Yuri Island and then over Tanflyev Island (Kurile Islands), where it was met by two Soviet interceptors, moving towards it with the intention of indicating that it was located within the limits of the borders of the USSR and of proposing that it immediately leave the airspace of the Soviet Union. On approaching the B-29 airplane the Soviet interceptors were fired at from the side installations of the American airplane, in connection with which they were obliged to open answering fire. Only after this did the violating American airplane quit the airspace of the USSR and depart in a southwesterly direction.

Taking into consideration that the facts of the violation by the above-mentioned American airplane of the state border of the USSR and of the firing by it at the Soviet airplanes are exactly established and that in consequence of this responsibility for the incident in question is placed fully on the American side, the Soviet Government rejects the claim set forth in the note of the Government of the USA of May 23, 1957 as unfounded.

In connection with this, the Soviet Government considers it necessary to note that the assertions contained in the note of the Government of the USA that there are supposedly at the disposition of American authorities proofs of the correctness of their version of the incident with the B-29 airplane are all the more strange in that they are being brought out more than two and a half years after the incident. To assert, in these conditions, for example, that the Government of the USA supposedly

possesses "indisputable evidence" that the American airplane allegedly did not open fire on the Soviet airplanes seems, at the very least, frivolous.

As regards the statement of the Government of the USA that supposedly several South Kurile Islands, in the region of which the incident with the American airplane took place, are not Soviet territory, such a statement has no basis, as has already been shown in the note of the Soviet Government of December 11, 1954. Moreover, it is in open contradiction with well known international agreements and documents, signed by official representatives of the United States of America.

It is possible only to add to that which is stated in the note of the Soviet Government of December 11, 1954, that in general there is not, in these documents dealing with territorial questions, and particularly in the Yalta Agreement, which provided for the transfer of the Kurile Islands to the Soviet Union, even one article or one clause which would single out from the composition of these islands the islands of Shikotan, Habomai, Kunashiri, or Iturup, which are an inseparable, composite part of the Kurile Islands.

The Soviet Government considers the question of the Kurile Islands decided on the basis of the Yalta Agreement and other international agreements and does not consider it necessary to enter into further discussion of arbitrary statements of the Government of the USA on this question.

Inasmuch as, in the note of the Government of the USA, baseless assertions regarding the width of territorial waters defined by the Soviet Union are again repeated, the Soviet Government recalls that its position on this question is well known and that, in particular, it was set forth in an exhaustive manner in the note of the Soviet Government to the Government of the USA of December 31 [11?], 1954.

As is clear from the note of the Government of the USA of May 23 of this year, instead of giving a strict order to the Headquarters of the American Air Forces not to permit further violations of the airspace of the Soviet Union, the Government of the USA in every manner attempts to deny the exactly established facts of the violation by American airplanes of the state borders of the USSR, encouraging in this manner, such violations.

In connection with the above-stated, the Soviet Government reaffirms its notes of November 7 and December 11, 1954, and considers it necessary to emphasize that the possibility of repetition of undesired incidents with American airplanes similar to that which took place on November 7, 1954 will be completely excluded if the Government of the USA takes measures for the prohibition of violations by American airplanes of the state borders of the Soviet Union.

Annex 7

NOTE TO THE SOVIET GOVERNMENT OF JUNE 19, 1958

No. 1093

EXCELLENCY: I have the honor to transmit, upon the instruction of my Government, the following communication from my Government to your Government:

The Government of the United States of America has received and studied the note of the Government of the Union of Soviet Socialist Republics No. 46/OSA of August 19, 1957 delivered to the Embassy of the United States Government in Moscow in reply to note No. 945 of the United States of America dated May 23, 1957, relating to the destruction on November 7, 1954 by Soviet military aircraft of a United States Air Force B-29 airplane engaged in legitimate and peaceable flight in the area of the Japanese island of Hokkaido.

On the principal issues of fact raised by the prior exchanges of notes between the United States Government and the Soviet Government on this incident, the Soviet Government's new note constitutes no clarification. It does not state where the Soviet Government claims its territorial jurisdiction to begin in the area of the Nemuro Peninsula. It further varies the account given by the Soviet Government in prior communications of the alleged course of flight of the United States Air Force B-29 which was attacked and destroyed over the island of Hokkaido, and it provides no justification for such action.

The Soviet Government has thus categorically taken issue with the United States Government's allegations of fact in prior communications, particularly in note No. 945 of May 23, 1957, and with the legal validity of the United States Government's contentions. The propriety of the conduct of the Soviet fighter aircraft and of Soviet claims to the areas of the Habomai Islands and Shikotan, and to Kunashiri and Etorofu, and their territorial waters remains in dispute. If the Soviet Government also claims any territorial rights in the Goyomal Strait or in the waters adjacent to the Nemuro Peninsula such claims too are disputed. The United States Government denies the Soviet Government's contentions of law and fact and further reasserts that the actions of the Soviet Government against the B-29 aircraft were without warning and unprovoked and, under the circumstances which obtained, illegal.

The United States Government therefore believes, and hereby notifies the Soviet Government that it deems, that an international dispute exists between the two Governments falling within the competence of the International Court of Justice and proposes that the dispute be presented for hearing and decision in the International Court of Justice. Since the Soviet Government has thus far not filed with that Court any declaration of acceptance of the compulsory jurisdiction of that Court, the United States Government invites the Soviet Government to file an appropriate declaration with the Court, or to enter into a Special Agreement, by which the Court may be empowered in accordance with its Statute and Rules to determine the issues of fact and law between the parties. The Soviet Government is requested to inform the United States Government of its intentions with respect to such a declaration or Special Agreement.

Accept, Excellency, the renewed assurances of my highest considerations.

Annex 8

NOTE FROM THE SOVIET GOVERNMENT OF MARCH 4, 1959
No. 16/OSA

In connection with Note No. 1093 of the Embassy of the United States of America of 19 June 1958, the Government of the Union of Soviet Socialist Republics considers it necessary to state the following.

In its notes of 7 November and 11 December 1954 and in the note of 19 August 1957 the Soviet Government has already set forth on the bases of factual data the circumstances of the violation by an American B-29 military plane of the Soviet state frontier in the region of Tanflyev Island (Kurile Islands) on 7 November 1954.

From the said notes of the Soviet Government it is clear that on 7 November 1954 an American military plane violated the state frontier of the USSR in the region of Tanflyev Island (Kurile Islands) and opened unprovoked fire on Soviet fighters guarding the state frontier of the USSR and making their way toward it with the aim of showing that it is in the limits of the frontiers of the USSR. The Soviet Government regrets that the Government of the USA does not consider it possible to acknowledge the indisputable fact of the violation by the American plane of the Soviet state frontier and that responsibility for the incident noted lies completely on the American side.

The Soviet Government sees no basis for transmitting this question for the examination of the International Court as is proposed in the note of the Government of the USA of 19 June 1958.

As for the statement of the Government of the USA concerning the Southern Kurile Islands and their territorial waters, the Soviet Government does not consider it possible to enter into further discussion of the arbitrary statements of the Government of the USA on this score since the question about the Kurile Islands is settled on the basis of the Yalta and other international agreements which also bear the signature of the Government of the USA.

The Soviet Government confirms its notes of 7 November and 11 December 1954 and of 19 August 1957.

DLF Lists Total Commitments of \$765 Million

Press release 493 dated July 7

As of June 11, the United States Development Loan Fund had made or approved 87 loans and one guarantee totaling \$718,306,000 to public and private borrowers in 38 countries, according to a

listing made public on July 7. This listing supersedes an earlier one dated February 28.¹

In addition, \$13,200,000 worth of DLF loans have been approved, but letters of advice containing basic terms have not yet been formally transmitted to loan applicants; and a further \$33,950,000 have been committed by the DLF for certain countries to finance projects within their development programs, subject to approval of the specific projects. DLF loan commitments to date thus total \$765,456,000.

The Development Loan Fund is a U.S. Government corporation established to help speed the economic growth of the less developed nations. It lends money to governments and private firms for constructive purposes for which capital cannot be obtained from other sources, accepting repayment in local currencies if necessary.

The new list includes brief descriptions of all loans signed or approved by the Fund from its inception on June 30, 1957, through June 11, 1959. Copies are available at the DLF offices at 1025 Fifteenth St., NW., Washington 25, D.C.

The list shows that DLF loan operations to date break down as follows:

Sixteen loans totaling \$63,290,000 to borrowers in 12 Latin American countries;

Nine loans totaling \$30,140,000 to borrowers in 7 countries in Africa;

Six loans totaling \$62,100,000 to borrowers in 3 European countries;

Twelve loans totaling \$120,900,000 to borrowers in 6 countries in the Near East;

Twenty-two loans totaling \$295,200,000 to borrowers in 3 countries in South Asia; and

Twenty-two loans totaling \$146,676,000 to borrowers in 7 Far Eastern countries.

The principal borrowing countries were India, with 8 loans totaling \$195,000,000; Pakistan, with 11 loans totaling \$96,750,000; and Taiwan (Formosa), with 8 loans and one guarantee totaling \$39,486,000.

¹For an announcement, see BULLETIN of Apr. 6, 1959, p. 484.

Administration's Views on Legislation To Promote U.S. Private Investment Abroad

Following are statements made before the House Committee on Ways and Means on July 7 by Under Secretary of State Douglas Dillon and David A. Lindsay, Assistant to the Secretary of the Treasury, during consideration of H.R. 5, a bill entitled "Foreign Investment Incentive Tax Act of 1959."

STATEMENT BY UNDER SECRETARY DILLON

Press release 490 dated July 7

I welcome this opportunity to present to your committee the views of the Department of State on the important problem of encouraging United States private investment in the less developed areas of the free world and on appropriate and timely tax incentive measures which could contribute substantially to meeting that problem.

As you know, a major motivating force behind our foreign economic policy is the conviction that Government measures, essential as they are, cannot substitute for the vitality and initiative of private investment, which provides along with capital the technical and managerial skills so essential to economic growth. The goal of our private investment policy is to help create situations in which private enterprise can prosper in the industrialized countries and can take root and flourish in the less developed areas of the free world.

During recent years there has been a strong upsurge in the flow of United States private capital to Canada and Western Europe, where the creation of the Common Market is providing a new stimulus to American investment.¹ These

¹ For an article on the Common Market by John A. Birch, see BULLETIN of July 20, 1959, p. 88.

private investments of ours in the more advanced countries have made an important contribution to the economic strength of the free world. There is no indication that any further incentives are called for in this area.

Turning to the less developed countries of the free world we find a very different situation. Throughout the vast areas of Asia, the Middle East, Africa, and Latin America we have entered upon an age of mounting expectations, reflecting the demands of the less privileged peoples of the free world for higher living standards under freedom. This tremendous urge for a better life under free institutions presents us with a great hope for the future, and with a great challenge as well. To help meet this challenge, continued and vigorous action by our Government is required. Also required, and of vital importance, is a substantial increase in United States private business relationships with those areas to help accelerate the process of economic development and to guide it in the right direction.

Free private enterprise is the very basis of our free system. On this foundation stand the freedoms we hold so dear—freedom of thought, freedom of expression, freedom of religion, and freedom of the individual. This system of ours is now facing a formidable challenge from totalitarian communism.

In the underdeveloped world this challenge now largely takes an economic form. If our free system is to prevail we must show the people of these lands that the private enterprise system is in their own best interest. This can only be done if our American private enterprise plays a substantial role in the development process. This in turn

requires adequate incentives for our private businessmen.

Need for Economic Progress in Less Developed Areas

The manifest needs of the less developed countries for economic progress, and the impatient demands of their peoples, provide the Communist bloc with a dangerously exploitable opportunity to advance communism's long-term drive for world domination. The Communists have made clear that the less developed countries of Asia, the Middle East, Africa, and Latin America are major targets in communism's drive to undermine the West. These countries cherish their freedoms and intend to preserve them, but the demands for economic growth are strong and urgent. Whether these demands are met in freedom or whether these countries are forced to turn to the path of communism will depend in no small measure on what we and the other industrialized countries of the West do to help. The main burden of economic progress lies, of course, on the less developed countries themselves, but it is in our interest as well as theirs that we help them to speed the process of economic development.

Through such means as our governmental loan and technical assistance programs, our multilateral trade policies, our commercial treaty, tax treaty, and investment guarantee programs, and our economic and investment information activities, the U.S. Government is making a major effort to assist the less developed countries in attaining a satisfactory rate of economic growth. Nevertheless, although progress has been made during recent years by the underdeveloped areas, the rate of progress generally has been less than that of the industrialized countries while the rate of population increase has been higher. This has led to a widening of the gap between our standards of living and those in the less developed areas. This situation is a serious one and calls for urgent attention. We must provide additional impetus for the economic development process. Governmental resources and capabilities are of necessity limited; so new actions to stimulate the flow of private capital, with its accompanying skills and techniques, have become an urgent necessity.

During recent years new United States direct investment in the less developed countries of Asia, the Middle East, and Africa has been relatively small—roughly \$100 million annually—and much

of this has gone into petroleum investment in a few countries. In regard to Latin America the situation is substantially better, but here too the flow of private investment has been very uneven, with substantial investments going to a few countries and relatively little going to the rest of the area.

There are, of course, many reasons for the unsatisfactory level of our private investments in the underdeveloped countries. There are important obstacles to an expanded foreign investment flow, such as political, legal, or institutional problems affecting the investment climate, which are susceptible of correction only by the country concerned. Others, such as a lack of natural resources or the limitations imposed by a relatively small market, present problems of a more permanent nature which have to be met by doing the best job possible under the circumstances. On the other hand we have it within our power to provide incentives which could substantially stimulate the flow of our private capital to the less developed areas. It is here that there is a crying need for governmental action.

During the past few months, pursuant to section 413(c) of the Mutual Security Act of 1954, as amended, a thorough study was made under the direction of Mr. Ralph I. Straus, a distinguished American business leader, of the problem of expanding private investment for free-world economic growth.² The report based on this study included a number of specific recommendations covering a wide range of activities. All these recommendations are being carefully examined, and many of them are already in the process of implementation.

In connection with this study the Commerce Department asked a large number of American enterprises with foreign business experience for their views on the ways and means of improving the utilization of American private enterprise in carrying out our foreign economic policies. It is significant that most of the businessmen replying to the question as to what governmental inducements would most encourage foreign investment and related activities cited tax incentives. Appropriately, one of the principal recommendations

² For a summary of the report's recommendations, see BULLETIN of Apr. 20, 1959, p. 562. Copies of the report, *Expanding Private Investment for Free World Economic Growth*, may be obtained upon request from the Department of State, Washington 25, D.C.

made in the Straus report, and the principal recommendation in the taxation area, was for the authorization of tax deferral on income of a foreign business corporation until such income is repatriated. Similarly, the Committee on World Economic Practices, appointed last year by the President to study new ways in which the Government and the private sector of our economy could effectively join together to combat the Sino-Soviet economic offensive and to promote free-world economic growth, advised tax deferral through the foreign-business-corporation mechanism as its principal recommendation in the tax incentive field. This Committee of outstanding businessmen conducted its work under the able chairmanship of Mr. Harold Boeschenstein.³

Importance of Tax Incentive Measures

The Department of State is convinced that appropriate tax incentive measures can make a significant contribution to our foreign economic policy objective of expanding the role played by private enterprise in helping the peoples of the less developed areas realize their mounting expectations for a better life under free institutions. It is our belief that, under present circumstances and in view of all the considerations involved, the most practicable and most effective tax incentive would be tax deferral through the foreign business corporation, substantially as recommended in the Straus report and the Boeschenstein report. Tax deferral, it seems to us, has a significant advantage over tax rate reduction in that deferral promotes the reinvestment of earnings whereas rate reduction would tend to encourage rapid repatriation of foreign earnings.

Accordingly, we are very pleased that in H.R. 5 Congressman [Hale] Boggs has proposed legislation which would authorize the deferral of United States tax on the income of qualified foreign business corporations until that income is repatriated. Mindful of revenue considerations, for comment on which we defer to the Treasury Department, and consonant with our views that no new incentives are needed to encourage private investment in the more advanced countries, the Department of State welcomes this opportunity

to support the enactment of legislation authorizing the deferral through the foreign-business-corporation mechanism of tax on income derived from business operations in the less developed countries of the free world.

It is also our recommendation that legislation be enacted providing ordinary loss treatment, rather than capital loss treatment, for losses incurred by original investors on stock of a foreign business corporation. This recommendation, which is also found in both the Straus and Boeschenstein reports, could provide a substantial and needed stimulus to private investment in the less developed areas. Because of the greater risks involved and the substantial national interest in stimulating such investment, this special treatment seems eminently appropriate.

As to other provisions of H.R. 5, which involve technical tax problems and tax administration problems as well as revenue considerations, we consider that comment should more appropriately come from the Treasury Department.

In conclusion I would like to emphasize again the importance of taking all reasonable and practicable actions to promote an expanding flow of United States private investment to the less developed countries and to reiterate our strong recommendation that the Congress enact as soon as possible legislation for this purpose authorizing tax deferral through the foreign-business-corporation mechanism and providing ordinary loss treatment for losses incurred by original investors in foreign business corporations.

STATEMENT BY MR. LINDSAY

We are pleased to appear before your committee today to present the view of the Treasury Department on H.R. 5, a bill entitled "Foreign Investment Incentive Tax Act of 1959," introduced on January 7, 1959, by Mr. Boggs. The purpose of the bill is to provide tax relief for foreign income in order to provide incentives for expansion of United States investment abroad.

The need to enlist resources and talents of American enterprise in helping to improve the economies of the less developed countries is particularly important today with a hostile Communist bloc actively pressing a massive economic offensive against the free world.

³ Copies of the Boeschenstein report may be obtained upon request from the Business Advisory Council, Department of Commerce, Washington 25, D.C.

Secretary Dillon stated, in testimony before your committee's Subcommittee on Foreign Trade Policy last December,⁴ that he regards the problem of achievement in freedom of higher living standards in the lesser developed countries as the primary economic and political problem of the 20th century. He observed that it is a problem in which the interests of our Government and our business community coincide, so that a real opportunity exists for a joint effort in attacking it.

During the last decade there has been an increasing flow of United States capital to Canada and Western Europe. Almost half of our private foreign investments are in these more developed areas. A relatively small percentage of our private investment abroad has been and is going to the less developed critical areas in Asia, the Middle East, and Africa.

In the light of these considerations, the Secretary of the Treasury submitted a report on H.R. 5 which was developed in cooperation with the State and Commerce Departments. The Secretary stated in this report that measures which the Treasury would support include:

(1) The deferral of tax on income derived by a foreign business corporation which obtains substantially all of its income from investments in one or more of the less developed areas of the free world.

(2) Ordinary loss treatment for losses incurred by original investors on stock of such a foreign business corporation.

(3) The early implementation, by treaty or by negotiated agreement authorized by legislation, of the principle of a credit for tax sparing in order to make it possible for American firms investing in an underdeveloped country to benefit from the tax inducements offered by such a country to attract new capital.

It generally is recognized that tax incentives alone cannot successfully stimulate private investment in the critical less developed areas of the free world. There are many obstacles which impede the flow of private investment to less developed countries. These include political instability, risk of expropriation, problems of currency convertibility, inflation, in some instances

high foreign tax rates, and the natural attraction of capital to areas where a profitable return is comparatively assured.

We believe that some of these problems can be minimized, however, by provision for ordinary loss treatment for investment losses in the less developed areas coupled with the expansion of our investment guarantee program. Implementation of the tax-sparing principle should make more effective efforts of certain countries to provide tax incentives of their own to attract new investment. Deferral of tax on profits reinvested should encourage relative permanence and expansion of the successful enterprises in such areas.

H.R. 5 contains a number of provisions designed to encourage private investment abroad. A major difference between H.R. 5 and the Treasury Department recommendations is that the tax provisions of H.R. 5 would have worldwide application outside of the United States, whereas the Treasury proposals are limited in application to the less developed areas.

The substantive provisions of H.R. 5 are: deferral of tax on foreign income for private domestic foreign business corporations; liberalization of present restrictions on tax-free transfers of property to foreign corporations; a 14 percent reduction in tax rates for foreign business corporations; modification of the foreign tax credit to include an overall limitation wherever such limitation would be more advantageous than the per country limitation imposed by present law; a credit for taxes spared by foreign countries to attract American industries; and nonrecognition of gain on involuntary conversion of property of foreign subsidiaries.

For convenience we shall cover each of the provisions of H.R. 5 in order of appearance in the bill.

Tax Deferral (Section 2)

This provision would permit the creation of a special domestic corporation—referred to as a foreign business corporation—which would be entitled to tax deferral on its foreign earnings until they are repatriated.

Setting aside our fiscal situation, the problem of revenue, and the question of encouraging investment abroad, there is substantial merit to section 2 of H.R. 5.

Under existing law, deferral of income derived

⁴ BULLETIN of Dec. 29, 1958, p. 1056.

abroad is now available to American companies operating through subsidiaries incorporated in foreign countries. This is because a corporation which is created under the laws of a foreign country and derives its income abroad does not fall within the scope of our tax system. A tax is paid by the domestic parent only upon dividends received from the foreign subsidiary if and when distributed. This has been a basic feature of our income-tax structure since its enactment.

On the other hand, domestic corporations, individual residents, and most of our citizens must pay tax currently on all income, foreign and domestic alike, with provision, however, for tax credit against United States tax for taxes imposed by foreign countries on income derived within their borders. Under certain circumstances domestic corporations have tax advantages, as, for example, the offsetting of foreign losses against domestic income, the availability of the percentage depletion deduction, and the benefit of various tax treaties negotiated by the United States.

Because American firms are able to defer United States tax by operating abroad through foreign subsidiaries, much of the private investments abroad by citizens of this country has been channeled through foreign corporations, with the exception of the extractive industries. If, for example, an American firm contemplates the acquisition of a plant in a country having a tax rate substantially lower than our corporate rate and if it expects to leave a substantial part of its profits of its foreign plant abroad, it would ordinarily organize a foreign corporation to operate the business so as to postpone indefinitely payment of tax to the United States. In recent years a number of American firms investing abroad have done so through foreign holding companies located in a "tax haven" country. The holding company, in turn, conducts its business through foreign operating subsidiaries located in various parts of the world. This method of operation permits, for example, the transfer of earnings from a subsidiary in Western Europe to one in South America, free of United States income tax. In the absence of the intermediate holding company, the transfer of funds from one foreign subsidiary to another would ordinarily be treated as a taxable dividend to the United States parent corporation followed by a capital contribution by the parent to the second subsidiary.

Section 2 of H.R. 5 would permit foreign busi-

ness corporations the same latitude available to foreign holding companies to shift funds between countries or subsidiaries with no intervening tax imposed by the United States. In this sense and also in its application to export income, section 2 is broader than the deferral provisions contained in earlier bills, namely, H.R. 8300 in 1954 and H.R. 7725 in 1955.

Although recognizing the merits of section 2 of H.R. 5, the Treasury Department nevertheless is compelled to oppose unlimited deferral at this time because of the substantial revenue losses involved in extending the deferral provisions to include investments in and exports to all regions of the world by American firms. While the estimates are exceedingly difficult to make, it is believed that section 2, if enacted, would involve a revenue loss ranging from \$300 million to \$500 million annually, depending upon the dividend policies followed by foreign business corporations. If export income were entirely excluded the revenue loss would be in the neighborhood of \$100 million a year. Revenue losses of this magnitude cannot be accepted at this time without contributing to an unsound fiscal position.

If section 2 is confined to less developed areas without limitation in regard to export income, the revenue loss would still be in the order of \$100 million. Apart from the impact on revenues, to extend deferral to export income is to grant deferral in many cases even though no significant activity is conducted abroad. Accordingly, we are compelled to recommend that export income be excluded but would be pleased to explore with the committee, in cooperation with the committee staffs, the feasibility of limiting the deferral provision to foreign business corporations which do not earn more than 50 percent of their gross income from exports.

Liberalization of Section 367 (Section 3)

Section 3 of the bill is designed to facilitate the creation of a foreign corporation through the transfer of assets, other than cash, which are currently in use either in the United States or abroad, without the recognition of any gain or loss upon such transfer. Under section 367 of existing law, the transfer of assets to a foreign corporation cannot be accomplished on a tax-free basis unless prior approval is obtained that the exchange does not have as one of its principal purposes the

avoidance of United States tax. This provision was enacted in 1932 and according to the report of the Ways and Means Committee at that time was designed to close "a serious loophole for avoidance of taxes."

Section 3 would make section 367 inapplicable in the case of transfers of foreign business property and certain stock investments to foreign corporations. Thus, under the bill, a domestic corporation with separate foreign manufacturing subsidiaries in various countries could transfer its stock in all these companies to a foreign holding company organized in a "tax haven" country without recognition of gain. Each of the subsidiaries may have accumulated substantial earnings free of United States tax and paid little or no dividends to the American parent corporation. In the absence of a favorable ruling under section 367, the transfer of stock of the operating companies to the foreign holding company in exchange for stock of the holding company would be a taxable exchange.

The Treasury would support a limited amendment to section 367 to permit tax-free transfers of foreign business property, including stock of foreign subsidiaries, to a United States foreign business corporation. Possibly a change in the advance ruling requirement might also be desirable in the case of transfers of business property from a foreign business corporation to one or more of its foreign subsidiaries if "distribution" limitations were placed on the foreign subsidiary similar to those provided in section 2 of the bill for the foreign business corporation itself.

We believe that such distribution limitations would largely eliminate the present opportunities for tax avoidance in the repatriation of the earnings of a foreign subsidiary either without tax or at capital gain rates. Under this approach, loans by the foreign subsidiary to the shareholder of the foreign business corporation and certain investments by the subsidiary in the United States would be regarded as a constructive dividend distributed by the foreign business corporation. If changes such as these were made, tax avoidance opportunities available through foreign subsidiary operations would be considerably reduced and greater leeway would be justified in connection with the proposed liberalization of present restrictions on tax-free transfers of property to foreign corporations.

While consideration might be given to permitting transfer of property to other foreign corporations controlled by United States interests, if similar "distribution" safeguards were enacted, it would seem that broad liberalization in this area would tend to defeat the purpose of limiting deferral under section 2, as suggested by the Treasury, to foreign business corporations operating in the less developed areas.

Reduction in Tax Rate (Section 4)

Section 4 would reduce the tax on foreign income by 14 percentage points. With certain modifications, this section of the bill would apply the present Western Hemisphere trade corporation provisions of the [Internal Revenue] Code on a worldwide basis. Foreign-source income eligible for the reduced rate would include income from exports, royalties, and passive portfolio investments. The provision would apply equally to earnings from existing as well as new investments.

An enterprise that is currently engaged in business in a foreign country and which could qualify for treatment as a foreign business corporation would be more likely to repatriate foreign earnings if the tax on such repatriated profits were to be at the reduced rate of 38 percent than would be the case if the tax were continued at the 52 percent rate. The incentive to repatriate foreign income would probably have its greatest impact in the less developed areas abroad, where reinvestment of earnings is most needed but where the risk of loss is comparatively acute.

The estimated revenue loss from the proposed 14 percentage point rate reduction is in the order of \$200 million a year. This loss, it should be noted, would materialize without an increase in investments abroad.

Because of the loss of revenue involved and because of the doubtful effect of rate reduction as an effective incentive for the expansion of private investment in the less developed areas, the Treasury Department is opposed to the enactment of section 4 of the bill.

Liberalization of the Foreign Tax Credit Limitation (Section 5)

Section 5 of the bill would revise the present provisions of the Code dealing with the foreign tax credit to give taxpayers the benefit of the so-called "overall" limitation, whenever such limita-

tion would be more advantageous than the present "per country" limitation. The new overall limitation is similar to one which was in the law until 1954 but with this difference—the pre-1954 provision was operative only if it reduced the credit that was otherwise available under the application of the per-country limitation while the present proposal would be operative only if it increased the credit. The per-country limitation gives companies operating at a loss in some countries the right to continue to take tax credits for the taxes paid in countries where they operate profitably without having to offset for losses in the other countries. The overall limitation would give companies operating in countries with tax rates above the United States rates the right to offset those higher taxes against income tax in other countries where the tax rates are lower than the United States rates.

The justification often given for the overall limitation is that foreign income should be treated as a whole. So viewed, a consistent approach would require the elimination of the per-country limitation. It should be noted, however, that taxpayers conducting their operations abroad through foreign holding companies average the foreign tax rates applied to the distributed earnings of their subsidiaries and are in effect using only the overall limitation.

The proposed overall limitation might provide some encouragement to investment in less developed areas abroad where some of the countries most in need of capital impose taxes at rates that are higher than our 52 percent corporate rate. On the other hand, if section 5 were enacted, the immediate revenue loss attributable to existing United States private investment abroad might well be substantial.

Our estimates, based on the year 1955, are that the revenue loss under section 5 would amount to approximately \$45 million. With respect to individual companies, the effect of such an amendment would vary from year to year. We referred in our report to a revenue loss of \$19 million in 1955 for one company. We are informed that there would be no loss for that company today; in recent years the existing per-country limitation has been more favorable to that company than the overall limitation.

There may not be a substantial difference in revenue impact in comparing the overall limi-

tation on a consistent basis with the per-country limitation on a consistent basis, but there is revenue loss where each company may use the more favorable limitation each year regardless of consistency. Accordingly, we oppose adoption of section 5 at this time.

In our report of May 6, we referred to possible amendments to section 5 which we believe would considerably reduce the impact on the revenue. Such amendments should be adopted only if on thorough analysis they are deemed fair and appropriate. We should like to explore this further with the committee and the committee staffs.

Tax Sparing by Underdeveloped Countries (Section 6)

Under section 6 of the bill, a taxpayer deriving income from abroad would be allowed a credit for taxes waived by a foreign country as an inducement to render services or to engage in business in that country. The principle involved in this provision is one to which the Treasury Department fully subscribes and which is incorporated in a number of tax conventions that are currently in the process of negotiation. Tax treaties with tax-sparing provisions are currently in an advanced state with six countries located in Latin America, the Middle East, and Asia. Preliminary negotiations have been held with four other countries in Latin America and Asia.

Under existing law, a reduction in foreign tax as an incentive to induce new investment may result in a reduced foreign tax credit and a commensurate increase in United States tax. The tax incentive measures of less developed countries may thus be made ineffective by the provisions of our own law. By giving recognition to such tax incentive laws, the tax treaty program can, within appropriate limitations, remove this consequence of existing law and help promote a desirable tax climate in other ways.

Our experience thus far indicates that this policy has stimulated greatly interest among underdeveloped countries in tax treaties to eliminate double taxation and other tax obstacles to international trade and investment. This tax credit device, utilized in connection with the negotiation of treaties, would, we believe, produce more productive results than if handled in a unilateral statutory provision such as is incorporated in section 6.

Nonrecognition of Gain or Involuntary Conversion of Property of a Foreign Subsidiary (Section 7)

Section 7 of the bill would permit a domestic parent corporation that takes out insurance in this country on the property of a foreign subsidiary to exclude from its taxable income the insurance proceeds received upon the destruction or other involuntary conversion of the subsidiary's property, provided the insurance money is reinvested abroad in property similar or related in use to the converted property. Under existing law taxable gain is realized upon receipt of insurance proceeds if the recipient does not also own the property destroyed or otherwise converted.

It has been suggested that section 7 would encourage investment abroad in countries where it is difficult or impossible for a subsidiary corporation to secure adequate insurance coverage by permitting the domestic parent to carry the necessary insurance without adverse tax consequence. If it is true that adequate insurance protection cannot be obtained by foreign subsidiaries, a change in our tax law along the lines proposed in section 7 may merit consideration. A change in existing law seems unwarranted unless adequate information is developed as to the countries involved and the nature of the restrictions which result in the unavailability of insurance protection. It is our hope that witnesses from the business community will, either during the course of these hearings or shortly thereafter, come forth with specific information indicating the extent of and the reasons underlying the claimed inadequacy of insurance coverage abroad.

Other Recommendations

There are other provisions in the Code dealing with foreign income where a modification would be desirable. Several of these have been described in the Secretary's letter of May 6, and I should like here merely to mention them briefly. Two deal with the filing of information returns with respect to the formation or reorganization of foreign corporations and with respect to the ownership and changes in ownership of foreign personal holding companies. Our suggestions would simplify and improve the effectiveness of the information returns currently required. Another suggestion would correct what seems to be an error in the 1954 redrafting of the provisions dealing with foreign personal holding companies.

Under some circumstances the aggregate taxes imposed with respect to the income of a foreign personal holding company may equal 115 percent of its income. We doubt that this was intended by the Congress and suggest that it be modified.

In conclusion, the Treasury Department favors adoption of legislation which would, in fact, promote the flow of United States investment into the less developed regions of the free world. We believe that ordinary loss treatment for investment losses in lesser developed countries, together with tax deferral of reinvested profits and early implementation of the tax-sparing principle, should help to encourage United States firms to operate in less developed areas.

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86th Congress, 1st Session

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Study of United States Foreign Policy: Summary of Views of Retired Foreign Service Officers. Prepared for the Senate Foreign Relations Committee pursuant to the provisions of S. Res. 31. June 15, 1959. 81 pp.

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Nuclear Explosions in Space. Report of the House Science and Astronautics Committee. H. Rept. 575. June 23, 1959. 6 pp.

Telegraph Regulations (Geneva Revision, 1958) With Final Protocol to Those Regulations. S. Ex. G. June 23, 1959. 172 pp.

Report on the Organization and Administration of the Military Assistance Program Submitted to the President on June 3, 1959. A report submitted by the President's Committee To Study the U.S. Military Assistance Program. H. Doc. 186. June 24, 1959. 36 pp.

U.S.-U.S.S.R. Trade Relations. Department of State replies to a letter by Senator J. W. Fulbright and other documents pertaining to trade relations between the United States and the Soviet Union. June 24, 1959. 40 pp.

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Employment of Aliens. Report to accompany S. 1495. S. Rept. 437. June 29, 1959. 11 pp.

Certain Cases in Which the Attorney General Has Suspended Deportation Pursuant to Section 244 (a) (5) of the Immigration and Nationality Act. Report to accompany S. Con. Res. 33. H. Rept. 601. June 30, 1959. 3 pp.

U.S. Supports Call for Meeting of OAS Foreign Ministers

Statement by Ambassador John C. Dreier¹

The Council is now for the third time in the last 3 months considering a situation involving a threat to the peace in the Caribbean area.

Last April the Council was asked by the Government of Panama to invoke the Rio Treaty and send an investigating committee to that country because of an invasion of its territory by an armed force, consisting largely of Cubans, which had come from Cuba with the evident purpose of overthrowing the Government of Panama. The Government of Cuba took immediate measures to cooperate with the Government of Panama in this matter. Prompt action by the OAS was instrumental in resolving this problem in accordance with inter-American principles.

It was the hope of many members of the Council, including the Representative of the United States, that the effective opposition of the Organization of American States to armed intervention of this kind would serve to discourage further efforts of that sort.

However, forces apparently exist in the Caribbean area that are determined to promote and assist revolutionary activities in other countries in violation of the principles of the Habana Convention of 1928 on the Duties and Rights of States in the Event of Civil Strife.² On June 3 the Government of Nicaragua reported that its territory had been invaded by armed forces coming from another country with the purpose of overthrowing the Government of Nicaragua and that further invasions were threatened. The Nicaraguan Government requested the invocation

of the Rio Treaty with a view to maintaining peace and security in the area. Again the Council responded favorably and took the steps which in the light of circumstances seemed wise in order to carry out its responsibility for the maintenance of peace and security.³

The case of Nicaragua is still before the Council acting provisionally as Organ of Consultation. The report of the Information Committee established by the Council indicates that, in addition to the first two attacks on Nicaragua, at least three additional armed expeditions were organized with a view to entering that country. Recent information concerns a force of men which flew to Honduras a short time ago for the purpose of invading Nicaragua by its northern frontier.

Deterioration of Situation in Caribbean

At its last two meetings, on July 2 and 6, the Council received further evidence that the situation in the Caribbean, far from being improved as a result of the action of the Organization of American States with respect to the cases of Panama and Nicaragua, had deteriorated further. The Representative of the Dominican Republic charged that two invasions of his country were organized, trained, and equipped in territory of the Republic of Cuba, from which they departed with the evident purpose of starting and promoting civil war in the Dominican Republic. The Dominican Representative has also charged that large contingents are now being trained in Cuba for the purpose of initiating new invasions. This Council has received most categorical assurances from the Minister of State of Cuba that the charges contained in the Dominican note are without foundation.

At the same time, the Representative of Cuba has expressed the view that it is his country which is suffering a threat of attack from the Dominican Republic rather than vice versa, although the Government of Cuba has not requested any as-

¹ Made before the Council of the Organization of American States on July 10 (press release 504). Ambassador Dreier is U.S. Representative on the Council.

² 46 Stat. 2749.

³ BULLETIN of July 6, 1959, p. 30.

sistance from the Organization of American States. The Representative of Venezuela, likewise rejecting the charges made by the Dominican Republic, has also expressed his concern over the propaganda attacks from Dominican sources against the Government of Venezuela, its President, and Venezuela institutions.⁴

Finally, Mr. Chairman, the Government of Haiti has informed the Council of its great concern over the growing tension in the Caribbean area, which it feels constitutes a serious danger to its peace and tranquillity.

It became evident to my Government some time ago, and particularly in the development of the Nicaraguan case, that the Organization of American States was faced with a very large and widespread problem with regard to the maintenance of peace and security in the Caribbean area. In many countries of the area there are exiles seeking to overthrow the governments of their own countries. They have sought, and in many cases have obtained, support from elements in various other countries.

In many cases these exiles are motivated by high ideals of democracy and justice. Many of them are concerned only with what they consider to be the interests of their own countries. However, it is equally clear that some of those responsible for these revolutionary movements organized in foreign countries have either knowingly or unknowingly become associated with political elements whose interests are far removed from those of any government represented around this table. To put it in simple terms, Communists have attempted, and with some success, to infiltrate some of these revolutionary movements in accordance with their well-established policy of taking advantage of any sort of disturbance and unrest to promote their own sinister designs.

Proposal for Meeting of OAS Foreign Ministers

Under these circumstances it has seemed to my Government that the consideration of individual controversies or conflicts between one government and another—or, as has been the case, between one government and unnamed attackers—constitutes a futile approach to the solution of a serious problem. My Government has therefore for some time considered the desirability of suggesting a meeting

of Foreign Ministers under the charter of the OAS to consider the whole problem of the current tensions of the Caribbean and how the American governments, cooperating through the Organization of American States, may restore peace and security, confidence and friendly relations, among the sister republics of this important area. The United States has concluded that the time has come to proceed with an overall study of this kind. We have, therefore, been happy to join with the Governments of Brazil, Chile, and Peru in proposing at this time that a Meeting of Consultation of Ministers of Foreign Affairs be called under the charter.

The purpose of the meeting of Foreign Ministers, as my Government sees it, would be to examine the present situation of the Caribbean on a broad front. The objective would not be to air or judge charges by one country against another. The task before the Foreign Ministers would rather be to review the reports and statements which have been made available to the governments and to the Organization of American States on the general subject of tensions in this area, to examine the cause thereof, and to suggest courses of action that will revitalize the principles on which the Organization of American States is based, principles which we know are essential to any system of cooperative international relations in this hemisphere.

It is evident, Mr. Chairman, that basic principles of the Organization of American States are indeed jeopardized by the present situation. One of these principles is that of nonintervention in the internal affairs of other states. The active participation of foreign elements in efforts to overthrow the governments of states in this area constitutes a definite threat to that principle. If it is permitted to be violated in the present situation, it will be violated increasingly in the future. The foundation of our structure will then quickly crumble.

Another principle affected here is that of collective security as set forth in the clear terms of the Rio Treaty and the charter of the Organization. The OAS has developed a system without parallel elsewhere in the world for guaranteeing the security of states against aggression. This system applies equally to all members of the Organization. My Government believes that the inter-American system of peace and security, which is flexible

⁴ The Dominican Republic on July 10 withdrew its charges against Cuba and Venezuela.

enough and broad enough to meet virtually any type of situation that affects the security of a member state and the peace of the continent, must at all times be supported and made effective if our inter-American relationship is to endure.

Effective Exercise of Representative Democracy

Finally, Mr. Chairman, there is a matter of deep principle affecting the Caribbean situation which has to do with the desire of people of this hemisphere for an increasingly effective exercise of representative democracy. My Government believes deeply that political democracy is the most desirable form of government for people who wish to live in freedom and dignity. We fully share the desires of those people who wish to see the exercise of democracy made more effective.

The development of democratic institutions is no simple matter, however. Revolutions against authoritarian rule do not necessarily result in perfect democracy. The achievement of effective democracy depends upon many factors of cultural, historical, economic nature which are brought together in the political complex of any given state. Above all, democracy is a benefit that every people must win for itself.

Moreover, my Government is convinced that the maintenance of international peace and security under a system of justice and law is essential to the growth of democracy in this hemisphere. We cannot conceive of democracy flourishing in an area where states are subjected to constant tension requiring the unproductive diversion of human and economic resources to military ends. It therefore seems to us that democratic progress which all of us seek requires among other factors a strict compliance with those very principles of nonintervention and collective security to which I have referred.

There are indeed other ways in which the Organization of American States can and should encourage political and democratic development. My Government believes that this problem should be frankly and squarely faced by the Organization of American States at the proposed meeting of Foreign Ministers on the Caribbean problem. We are prepared to discuss any proposals which

the other member states of the Organization believe to be worthy of consideration within the principles and procedures of the charter of the Organization.

Mr. Chairman, in view of the foregoing considerations, it is clear that my Government favors at this time the prompt approval of a resolution calling for a meeting of Foreign Ministers under the charter of the OAS to consider in broad terms, and in the light of inter-American principles, the present serious situation in the entire Caribbean area. My delegation recommends, therefore, that the resolution that has been presented by the Governments of Brazil, Chile, Peru, and the United States be approved. The United States firmly believes that the holding of a meeting of Foreign Ministers at this stage offers the most effective and constructive approach to the serious problem of the Caribbean and the most desirable way of revitalizing and strengthening the principles of the Organization of American States.⁵

U.N. Committee on Outer Space Completes Report

*Statement by Henry Cabot Lodge
U.S. Representative to the United Nations¹*

The United States believes that the *Ad Hoc* Committee on the Peaceful Uses of Outer Space is now in a position to complete its work. We have received excellent reports from the two subcommittees of the whole which were set up at our meeting on May 7th.² These reports examine in detail those scientific and legal aspects involved in the peaceful uses of outer space to which the General Assembly requested this Committee to address itself.³ The United States believes that

⁵ On July 13 the Council voted unanimously to call a Meeting of Consultation of Ministers of Foreign Affairs.

¹ Made in the *Ad Hoc* Committee on the Peaceful Uses of Outer Space on June 18 (U.S./U.N. press release 3197).

² For statements by U.S. representatives in the *Ad Hoc* Committee on May 6 and 7, see BULLETIN of June 15, 1959, p. 883; for statements in the legal and technical subcommittees, see *ibid.*, June 29, 1959, p. 972.

³ For background and text of the General Assembly resolution, see *ibid.*, Jan. 5, 1959, p. 24.

these are two important contributions to the work of this Committee.

Reports of Legal and Technical Subcommittees

Since we are about to complete our work, I think it is appropriate to comment briefly on the reports of these two subcommittees.

Turning first to the report of the legal subcommittee,⁴ let me point out several valuable contributions which it makes.

First, the subcommittee noted that as a matter of principle the charter of the United Nations and the statute of the International Court of Justice are not limited in their operation to the confines of the earth.

Second, it observed that there may be in the process of development a rule that, in principle, outer space is, on conditions of equality, freely available for exploration and use by all in accordance with existing of future international law or agreements.

Finally, after agreeing that a comprehensive code of space law is not now practicable or desirable, the legal subcommittee drew up a useful survey of legal problems in connection with outer-space programs, distinguishing between those questions which appear to call for priority treatment and matters which may be dealt with at a later stage.

The technical subcommittee for its part has drawn up a scientific report⁵ which the layman can understand. It gives us the elementary technical background against which future scientific activities in outer space must be considered. It goes on to set forth certain problems, to describe certain possibilities, and to suggest certain areas where international cooperation now can contribute to progress.

I wish also to emphasize that this Committee urged that priority be given to considering the problem of allocation of radio frequencies for use in connection with space vehicles. The United States hopes that the forthcoming conference of the International Telecommunication Union will deal with this problem on an urgent basis.

Finally, it concluded that "There is need for a suitable centre related to the United Nations that

can act as a focal point for international co-operation in the peaceful uses of outer space."

Both subcommittees quite wisely recommended that the General Assembly arrange to keep all these matters under continuing review, a point which the United States endorses.

Secretary-General's Report

Paragraph 1(a) of the Assembly's resolution also asked this Committee to report on the activities and resources of the United Nations, its specialized agencies, and other international bodies relating to the peaceful uses of outer space. The Secretariat has ably performed this task. The United States regards the document⁶ on this topic as a useful contribution to our work and will study it carefully. Meantime I wish to reserve the right to make further comments on it. It will be of interest to all members when they see the present extent of international cooperation in this field, both as a result of the program during the International Geophysical Year and work on particular aspects of space activities going on in the specialized agencies. The United States believes that it will be useful if the United Nations can continue to be informed about such activities.

On the basis of these reports the *Ad Hoc* Committee can now consider the remaining task before it, which involves "The future organizational arrangements to facilitate international co-operation in this field within the framework of the United Nations."

Appraisal of Final Committee Report

The United States considers that the working paper before the Committee (document A/AC.98/4) covers this final aspect of our work in a satisfactory way. We agree fully that it is premature at this stage to consider the establishment of an autonomous intergovernmental organization but that this question should remain under review. None of us now can foresee how rapid the scientific advances in the challenging new field of outer space may be. Consequently we cannot now decide what eventually may be required organizationally to facilitate international cooperation and to insure that work in the field redound to

⁴ U.N. doc. A/AC. 98/2.

⁵ U.N. doc. A/AC. 98/3.

⁶ U.N. doc. A/AC. 98/4.

the advantage of all member states, irrespective of the status of their economic, social, or scientific advancement.

The United States believes that the *Ad Hoc* Committee was wise to describe in this section of its report the various possible organizational arrangements within the framework of the United Nations. This will show the General Assembly that we carefully examined all possible approaches. In turn, the General Assembly can draw upon the background material appearing in section B ["The International Scientific Unions"] of the working paper in reaching its own conclusions.

The working paper goes on to describe the functions that might be undertaken within the framework of the United Nations on the basis of the work of the technical and legal subcommittees. It then suggests various ways in which these functions might be carried out.

It singles out certain functions which are properly subjects for consideration and action by governments and suggests in this connection that the General Assembly may wish to consider the establishment of a committee of states with such members as it may decide. The United States remains convinced that subjects of the character this Committee has been considering require consideration and actions by governments if genuine progress is to be made.

Certain functions of a more limited character might also be entrusted to the Secretary-General. In his work he might find it helpful to have the assistance of a small advisory committee which could include representatives of the interested specialized agencies, other specially qualified individuals, including key scientists, and member states, as necessary.

The United States believes that these suggestions, in setting the framework for possible future action, provide the maximum flexibility for the General Assembly. The Assembly may decide to follow up all the possibilities in a resolution or to take one or a combination of them. For example, if a committee of member states is established, the General Assembly might also wish to invite the Secretary-General to assume certain responsibilities, subject to appropriate guidance from the Committee, and at the same time to have recourse to an expert advisory committee.

Suggestions on Form of Report

Let me now say a few words about the form of the final report of this Committee. To present the results of our work in the most orderly and understandable way to the General Assembly, the United States believes that it would be desirable for the report to be put together along the following lines.

First, there might be a brief introduction, in the usual pattern, to give the essential facts about the meetings of the Committee, officers, and the way in which it did its work.

The section prepared by the Secretariat, pursuant to paragraph 1(a) of the Assembly's resolution, would follow logically. This would start the substantive report with a summary of the activities and resources of the United Nations, its specialized agencies, and other international bodies relating to the peaceful uses of outer space. Alternatively, this survey might be an annex.

Under either arrangement, the reports of the technical and legal subcommittees, which can simply be incorporated as separate chapters, would come next.

Finally the section covering future organizational arrangements, which, as I have noted, stems from the work of the technical and legal subcommittees, would fall into place. The United States would be glad to hear comments on this suggestion.

In conclusion, let me say a few words about the report as a whole. The United States regards it as an extremely useful examination of relevant material in this challenging new field. In days to come it may well be pointed out as the historic first contribution of the United Nations to the establishment of international cooperation in the peaceful uses of outer space.

Naturally the United States continues to regret that certain members of this Committee are not present. We believe, however, when they, as well as the other members of the United Nations, study this report, they will see that it is a fair and balanced presentation of those topics which the *Ad Hoc* Committee was requested to consider.

In appraising the value of this Committee and of its work I believe we can say that it has provided guidance which will facilitate the rapid and orderly realization by all mankind of benefits which technology promises to unlock in outer space.

Given good faith, good will, and the desire to move forward, the General Assembly can build upon this report and open the way to future progress in this field, to which all members can make an important contribution.⁷

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¹ On June 25 the *Ad Hoc* Committee unanimously approved its report to the General Assembly.

² Printed materials may be secured in the United States from the International Documents Service, Columbia University Press, 2900 Broadway, New York 27, N.Y. Other materials (mimeographed or processed documents) may be consulted at certain designated libraries in the United States.

Administrative and Budgetary Co-ordination Between the United Nations and the Specialized Agencies: Programmes of Technical Assistance. Allocation of the administrative and operational services costs of technical assistance between regular and expanded program budgets. A/4130. June 24, 1959. 8 pp.

Economic and Social Council

Economic Commission for Latin America. Progress Report on the Work of the Secretariat in Connexion With the Chemical Industry in Latin America. E/CN.12/525. April 25, 1959. 28 pp.

Economic Commission for Latin America. Water Resources and Their Utilization in Latin America. Summary of results achieved by the working group. E/CN.12/501. May 1959. 40 pp.

Economic Commission for Latin America. Consultations on Trade Policy. Meetings held at Caracas, Venezuela, May 1959. E/CN.12/G.1/11/Add. 2. May 11, 1959. 55 pp.

Economic Commission for Europe. The latest Economic Developments in Western Europe. Supplementary note to the economic survey of Europe in 1958. E/ECE/345/Add. 1. May 14, 1959. 7 pp.

Economic Development of Under-developed Countries. International Co-operation for the Development of Under-developed Countries. Interim report under General Assembly resolution 1316 (XIII)—additional replies from governments. E/3258/Add. 1. June 15, 1959. 28 pp.

TREATY INFORMATION

Current Actions

MULTILATERAL

Aviation

Convention for unification of certain rules relating to international carriage by air, and additional protocol. Concluded at Warsaw, October 12, 1929. Entered into force February 13, 1933. 49 Stat. 3000.

Declaration by United Arab Republic that it considers itself bound by ratification by Egypt: March 2, 1959.

Protocol to amend convention for unification of certain rules relating to international carriage by air signed at Warsaw, October 12, 1929 (49 Stat. 3000). Done at The Hague September 25, 1955.¹

Ratifications deposited: Yugoslavia, April 16, 1959; France, May 19, 1959.

Declaration by United Arab Republic that it considers itself bound by ratification by Egypt: March 2, 1959.

Duties and Rights of States

Protocol to the convention on duties and rights of states in the event of civil strife signed at Habana, February 20, 1928 (46 Stat. 2749). Opened for signature at the Pan American Union, Washington, May 1, 1957.²

Ratification deposited: Costa Rica, June 24, 1959.

¹ Not in force.

² Not in force for the United States.

Shipping

Modification of paragraph 1, annex II, of the International Load Line Convention signed at London, July 5, 1930 (47 Stat. 2228). Proposed by Canada in 1947; entered into force July 13, 1957.

Proclaimed by the President: July 8, 1959.

Wheat

International wheat agreement, 1959, with annex. Open for signature at Washington, April 6 through April 24, 1959.¹

Acceptance deposited: Switzerland, July 8, 1959.

BILATERAL

Austria

Agreement amending the agricultural commodities agreement of May 10, 1957 (TIAS 3824). Effected by exchange of notes at Vienna, June 29, 1959. Entered into force June 29, 1959.

Brazil

Agreement amending research reactor agreement concerning civil uses of atomic energy of August 3, 1955 (TIAS 3303). Signed at Washington, July 9, 1958. Entered into force July 2, 1959.

Iceland

Agreement providing special assistance to Iceland on a loan basis. Effected by exchange of notes at Reykjavik, June 23, 1959. Entered into force June 23, 1959.

Korea

Agricultural commodities agreement under title I of the Agricultural Trade Development and Assistance Act of 1954, as amended (68 Stat. 455; 7 U.S.C. 1701-1709). Signed at Seoul, June 30, 1959. Entered into force June 30, 1959.

Mexico

Agreement extending the provisional air transport agreement, as amended (TIAS 3776, 4099). Effected by exchange of notes at Mexico City, June 23, 1959. Entered into force June 23, 1959.

Spain

Agreement for the loan of a destroyer and a submarine to Spain. Effected by exchange of notes at Madrid, June 23, 1959. Entered into force June 23, 1959.

Turkey

Agreement concerning economic assistance to Turkey for the acquisition of prefabricated huts to be used as facilities for primary schools. Effected by exchange of notes at Ankara, May 26, 1959. Entered into force May 26, 1959.

DEPARTMENT AND FOREIGN SERVICE

Confirmations

The Senate on July 2 confirmed the following nominations:

Bernard Gufler to be Ambassador to Ceylon. (For

¹ Not in force.

biographic details, see press release 441 dated June 18.)

G. Lewis Jones to be an Assistant Secretary of State. (For biographic details, see press release 385 dated June 2.)

Designations

Oliver M. Marcy as Deputy Director, Office of Greek, Turkish, and Iranian Affairs, effective June 28.

Bruce H. Millen as Officer in Charge of Labor Affairs, Office of Near Eastern and South Asian Regional Affairs, effective June 28.

Avery F. Peterson as Deputy Assistant Secretary for Far Eastern Economic Affairs. (For biographic details, see Department of State press release 488 dated July 7.)

Nicholas G. Thacher as Deputy Director, Office of Near Eastern Affairs, effective June 28.

David Wilken as U.N. Adviser to the Assistant Secretary for Economic Affairs, effective July 1.

Check List of Department of State Press Releases: July 6-12

Press releases may be obtained from the News Division, Department of State, Washington 25, D.C.

No.	Date	Subject
†485	7/6	DLF loan to Pakistan (rewrite).
486	7/6	Economic aid to Burma.
*487	7/6	Cultural exchange (Uruguay).
*488	7/7	Palmer and Peterson designations (biographic details).
*489	7/7	Beale: statement on S. 1711.
490	7/7	Dillon: statement on H.R. 5.
491	7/7	Application to ICJ on Soviet destruction of B-29.
†492	7/7	Restrictions on travel of Hungarian officials in U.S.
493	7/7	DLF commitments.
494	7/8	Secretary Herter visits Canada.
495	7/8	Eximbank director visits Argentina.
†496	7/9	DLF loan to Korea (rewrite).
†497	7/9	Beale: statement on NARBA and U.S.-Mexican broadcasting agreement.
†498	7/9	DLF loan to Bolivia (rewrite).
499	7/9	U On Sein to be Burmese ambassador.
500	7/9	Herter: news conference.
†501	7/10	DLF loan in Pakistan (rewrite).
†502	7/10	DLF loan for Turkish bank (rewrite).
*503	7/10	Educational exchange (British Guiana).
504	7/10	Dreier: statement before OAS Council.
†505	7/10	DLF loan in Philippines (rewrite).
506	7/11	Herter: departure statement.
†507	7/11	Department statement on Soviet declaration seeking atomic weapons ban in Balkan-Adriatic region.
*508	7/11	Educational exchange (Ireland).

*Not printed.

†Held for a later issue of the BULLETIN.

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